HORIZONTE
MINERALS PLC

Annual Report 2018

Horizonte Minerals is an AIM and TSX listed nickel development company focused in Brazil.

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2018 Highlights

Horizonte Minerals plc (the "Company" or "Horizonte") achieved a number of key milestones during 2018 culminating in the delivery of a Feasibility Study ("FS") for the Araguaia Nickel Project. This achievement places the Company in a strong position to capitalise on the forecasted upward pressure on the nickel price and the positive sentiment towards development stage nickel projects.

The FS results published in October 2018 confirmed Araguaia as a Tier 1 project with a large high-grade scalable resource, a long mine life and a low-cost source of ferronickel. The Base Case delivered a post-tax net present value ("NPV_8") of US$401 million and indicates over US$1.6 billion of free cash flow over the 25-year life of mine. The study also includes the option for future construction of a second process line which would double Araguaia's production capacity and further enhancing economics. Including the Stage 2 Expansion increases the post-tax net present value to US$741 million and the free cash flow projections increases to US$2.6 billion. The output of the FS also substantiates the Company's primary objective of positioning Araguaia as one of the lowest cost, highest grade new nickel developments globally.

As part of the build up towards the completion of the FS, in April 2018, Horizonte Minerals was granted the definitive Water Permit for industrial water consumption at the planned Araguaia RKEF Process Facility by the Brazilian Pará State Environmental Agency ("SEMAS"). This licence was another important step as the Company works to make Araguaia construction-ready.

Since the year ended, 31 December 2018, the Company achieved another important milestone when it was awarded the Construction Licence, Licença de Instalação ("LI"), by SEMAS. This licence enables the construction of the RKEF plant and associated infrastructure for the Araguaia project, a significant event for the Group as combined with the success of the FS places Araguaia as one of the few construction-ready ferronickel projects globally.

SUMMARY of 2018 Achievements

Water Permit approved for Araguaia	April 2018
Araguaia Nickel Project Feasibility Study Results	October 2018
Filing the NI 43-101 Technical Report for the FS on SEDAR	December 2018
Construction Licence awarded for Araguaia Project	January 2019

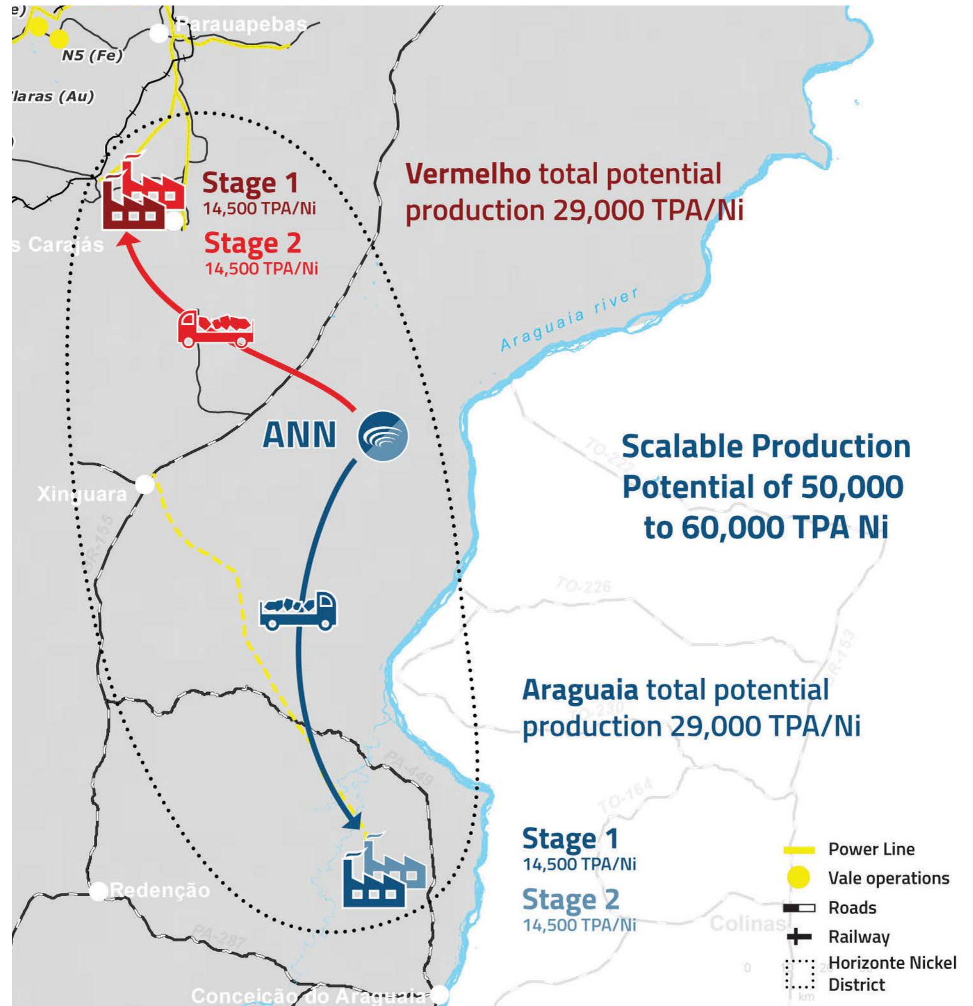
Horizonte Minerals at a Glance

Horizonte wholly owns the advanced Araguaia Nickel Project ("Araguaia"), and the Vermelho Nickel-Cobalt Project ("Vermelho"), located in the south of the Carajàs mineral district in northern Brazil.

The Araguaia project will utilise the proven RKEF process to produce approximately 50,000 tonnes of ferronickel per year, grading 30% Nickel. A feasibility study for Araguaia was published in October 2018. The study demonstrated the robust economics of Araguaia and places it as one of the lowest-cost new ferronickel development projects globally.

The Vermelho project is a nickel cobalt project, located approximately 80 kilometres north west of the Company's Araguaia North ferronickel project. Vermelho was acquired in 2017 from Vale SA who completed a detailed feasibility study demonstrating the potential to produce over 40,000 tons of nickel per year, prior to giving the go ahead to construct in 2005. A pre-feasibility study will be conducted by the Company which seeks to demonstrate the economics of developing Vermelho on a smaller scale than Vale's original design and will also reflect recent cost data and technology. This PFS will be completed in 2019.

These two Tier-1 projects located north and south of the Araguaia district create a large, high-grade flexible resource base with the combined potential to produce 50,000 to 60,000 tonnes of nickel per year.



Araguaia Nickel Project Overview

Araguaia is an advanced nickel project being developed by the Company as Brazil's next major ferronickel operation.

- 100% owned by Horizonte Minerals plc
- Located south of the Carajás Mining district in Northern Brazil, with good access to infrastructure
- The base case of the Feasibility Study published in October 2018 assumes a Nickel price of US$14,000/t, and has the following highlights;

Financial:

- **Highly Cash Generative** – Around US$1.6B net cash flow
- **NPV of US$401M**
- **Payback** of 4.2 years
- **IRR of 20.1%**
- **Low Capital Intensity** – US$443M Capital Cost equates to US$31,000 /t Ni pa
- **C1 Cost** of US$8,193/t Ni

Mining:

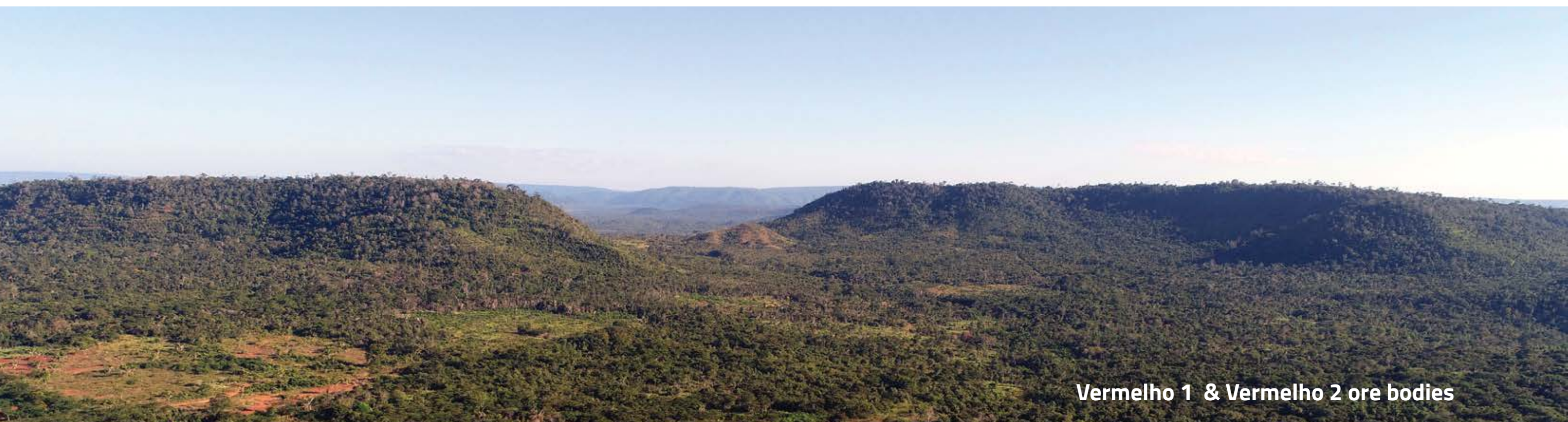
Shallow open pit mining will be used for the exploitation of the nickel rich saprolite horizon. Ore will be sourced from 8 open pits, 3 - 5 being open at any given time, with a targeted 0.9mt per annum of ore to a central processing and smelting facility. A 28 year production schedule is envisaged with a 2 - 3 year construction period followed by ramp up over 13 months to full scale commercial production.

Process:

The selected metallurgical process is the widely used and proven RKEF. A successful pilot campaign produced high grade commercial quality ferronickel from the bulk samples deemed representative of the Araguaia ore.

Location of Pequizeiro deposit

Vermelho Nickel Cobalt Project Overview


Vermelho 1 & Vermelho 2 ore bodies

Acquired from Vale SA in early 2018, Vermelho is a Tier-1 asset in terms of size and grade, sitting on the upper end of the global grade curve. Drilling programmes totalling 152,000 metres and detailed engineering studies have been completed on the project by Vale and this high quality advanced work provides Horizonte a fast-track pathway to undertake technical evaluation and studies in order to potentially produce Class1 nickel and cobalt.

Horizonte is currently undertaking a programme of test work to produce battery grade nickel and cobalt product together with traditional ferronickel with the results incorporated into a 43-101 pre-feasibility study. The ferronickel results recently confirmed that it is possible to produce high grade, commercial specification ferronickel from the saprolite and transition ore at Vermelho.

In addition, work will advance on the environmental and social permitting of Vermelho in 2019. The close proximity of the Vermelho and Araguaia projects have allowed the Company to consolidate a major district in Brazil's Pará state, growing its nickel resources by over 600% in just six years, resulting in two Tier-1, scalable, high-grade nickel deposits.

Our Year in Review

April 2018
Water licence awarded for Araguaia

May 2018
Vermelho Mineral Resources update

June 2018
Appointment of Numis as the Company's nominated adviser

October 2018
Vermelho Operational update

October 2018
Araguaia Feasibility Study results announced

October 2018
Appointment of Endeavour Financial as the Project Finance Advisor

December 2018
Filing of Araguaia 43-101 on SEDAR

December 2018
Construction Licence for Araguaia awarded by SEMAS, gazetted in January 2019

Chairman's Statement **David J Hall**

Dear Shareholders

It is with pride that I share with you the notable achievements made by Horizonte throughout 2018. 2018 was the year that set the Company on the pathway for growth. The Company has taken the 100% owned Araguaia Project from initial discovery, through to a NI 43-101 compliant Feasibility Study ("FS"), with a Construction Licence.

Nickel like most metals experienced a lull both in price and market interest in the back end of 2018. However, Horizonte is well placed to benefit from the widely anticipated upwards trend in nickel demand from both the traditional stainless-steel markets as well as the new demand from Electric Vehicles (EVs).

The agreement to purchase Vermelho from Vale SA completed in early 2018 will allow the Company to take advantage of the EV market by potentially supplying nickel sulphate and cobalt, key battery ingredients into the industry at a time when they are expected to be most in demand.

Araguaia which as at the date of this report is construction ready, subject to financing, will target the more established stainless-steel market by the production of ferronickel.

Having fallen from 470,000 tonnes to approximately 200,000 tonnes at present, nickel inventories on the LME have continued to drop and are now at their lowest level in five years. Significant new supply is required for the stainless-steel market which is growing at around 5% annually, with further additional new demand driven from the EV battery sector. Whilst the physical number of EVs on the roads throughout the world remains relatively low at 3 million cars today, forecasts for the acceleration of adoptions of EV's vary from 20 to 40 million cars on the road by 2030, representing an estimated 10-fold increase. At present it is difficult to see where significant new supply to meet this demand is going to materialise making it a driving force behind the widely held views from industry professionals that Nickel prices are anticipated to rise. The current consensus short term forecast for the Nickel price stands at $16,500/t Ni compared with a price of US$13,000/t at the date of this report.

Horizonte, with the construction ready Araguaia ferronickel project and Vermelho's potential to produce nickel sulphate and cobalt, is uniquely positioned to take advantage of the current demand forecast. Araguaia is well positioned as one of only a few construction ready ferro nickel projects in the world. With the average time to get from initial discovery to first production estimated at approximately 8 to 10 years for most mining projects, Horizonte through Araguaia represents a unique opportunity to capitalise on the fundamentals of the nickel market as highlighted above.

Araguaia

The Company has made significant advances and has delivered a number of key milestones during 2018 as we work towards developing the Araguaia ferronickel project and move towards becoming a nickel producer. The major milestone was the release of the FS demonstrating robust economics on the single line RKEF process plant. The FS has also been designed to allow for a second production line. In December last year we filed the NI 43-101 technical report for Araguaia including the FS results and the potential upside which could be realised from doubling production by adding a second line. At 29,000/t per annum production of nickel, the expanded project would become globally significant production unit.

If one applies the FS base case nickel price of US$14,000/t, the Stage-2 expansion demonstrates a step-change in the economics of Araguaia: increasing cash flows after taxation from US$1.6 billion to US$2.6 billion; and NPV from US$401 million up to US$741 million. The economics at this nickel price are outstanding. The expansion would require no additional upfront capital as the second line would be funded through reinvestment of free cash flows generated from the existing operation.

Most importantly, post the year end, we announced the granting of the Construction Licence ("LI") which provides Horizonte with the permits required to construct the Araguaia RKEF processing plant and associated infrastructure. The LI approval represents a major de-risking step for Araguaia, which is now fully permitted to commence construction, subject to financing. This is something the Company will prioritise in 2019, as well as working out how to optimise the structure for maximum shareholder value.

Vermelho

In January 2018, we completed the acquisition of the nearby Vermelho nickel-cobalt project from Vale, which represents a significant development for the Company. This acquisition has transformed Horizonte into a multi-asset company bringing together two large, advanced nickel deposits located in the established mining region in the Pará State in northern Brazil.

The combined resources of Araguaia and Vermelho positions the Company with one of the largest undeveloped nickel resource bases in the world.

A full Feasibility Study on Vermelho had been completed by Vale and it was scheduled for construction in 2006. The project appealed to Horizonte because, as well as a large nickel resource it also contains a large cobalt resource which Vale planned to process alongside the nickel. The Company is in the process of undertaking a Pre-Feasibility Study for processing both the nickel and cobalt which is due to be released later in 2019. This acquisition gives Horizonte exposure to the additional commodity stream of cobalt, for which there is growing interest for use in the EV battery market.

Conclusion

We believe that Horizonte is currently uniquely placed to benefit from the improving nickel market fundamentals, driven by the robust market for stainless steel combined with the fast growing EV market. The multi-asset approach covering both sections of the nickel market along with the cobalt market means that the potential revenue streams are more diversified and de-risked compared to a single asset company.

On behalf of the Board, I would like to thank the entire Horizonte team for their contributions to a successful 2018. I would like to say thank you to the shareholders for your continued support in what has been a difficult year for the market. We now look forward to updating the market on positive developments as we prepare Araguaia for construction and complete the PFS on Vermelho that should see significant success during 2019.

David J Hall
Chairman
28 March 2019

Operations Review – Araguaia Nickel Project
Jeremy Martin

Araguaia Feasibility Study

In October of 2018, we released the Feasibility Study for Araguaia which confirms Araguaia as a Tier 1 project with a large high-grade scalable resource, a long mine life and a low-cost source of ferronickel for the stainless-steel industry. Araguaia's FS design allows for future construction of a second Rotary Kiln Electric Furnace ("RKEF") process line, with potential to double Araguaia's production capacity from 14,500 tpa nickel up to 29,000 tpa nickel. The compelling economic and technical results from the Study are expected to support project financing, offtake agreements and future development milestones which along with Araguaia's rapid timeline to production should position it to take advantage of the forecast growth in the nickel market over the short to medium-term.

Highlights of the Study are:

> The base case FS economics assume a flat nickel price of US$14,000 per tonne ("/t") for the entire 28-year mine life based on Wood Mackenzie's short-term forecast;

> Initial 28-year mine life generates cash flows after taxation of US$1.6 billion with sufficient Mineral Resources to extend beyond 28 years;

> Estimated post-tax Net Present Value[1.] ("NPV") of US$401 million and Internal Rate of Return ("IRR") of 20.1%;

> Upon development the Project is expected to produce an average of 14,500 tonnes of nickel per year contained within approximately 52,000 tonnes ferronickel per annum, utilising the proven RKEF technology currently used at over 40 mines around the world;

> C1 (Brook Hunt) cash cost of US$3.72 per pound ("/lb") of nickel (US$8,193/t), making Araguaia a low-cost producer;

> Using the consensus mid-term nickel price of US$16,800/t, the post-tax NPV increases to US$740 million with an IRR of 28.1%, reflecting the significant leverage that the Project returns have to any future increase in nickel prices;

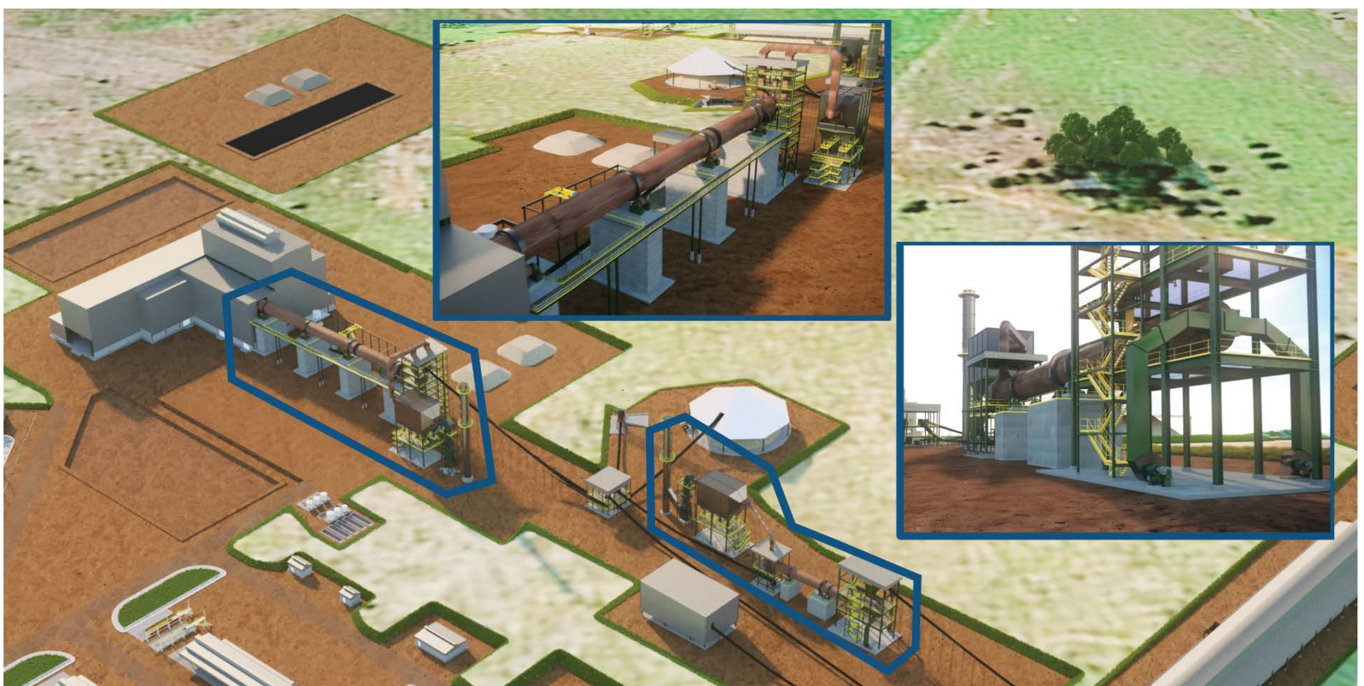
> Capital cost estimate of US$443 million (AACE class 3), including US$65.3 million of contingencies equating to 17.2% of total capex budget;

> The process plant has been designed to allow for a Stage 2 expansion with the addition of a second RKEF process line in the future after the first line is fully commissioned, providing flexibility to double the nickel output.

> Araguaia is set to deliver significant socio-economic benefits for communities in the Pará state, including over 1,000 direct jobs in the construction phase, and around 500 jobs during operation, as well as additional economic and social development programs;

[1] NPV calculated using 8% discount rate.

A key part of the FS Stage 1 Project design was that the RKEF plant and associated infrastructure was designed to accommodate the addition of a second RKEF process line (Stage 2 expansion), which is intended to double Araguaia's production capacity from 14,500 t/a nickel up to 29,000 t/a nickel. The Project Mineral Resource inventory has the grade and scale to support the increase in plant through-put from 900 kt/pa (Stage 1) to the Stage 2 rate of 1.8 Mt/a supporting the twin line RKEF flow sheet. The Stage 2 expansion assumes operating at Stage 1 production rate of 900 kt/pa for three years, after which free cash flows would be reinvested to expand the plant to 1.8 Mt/pa by the addition of a second line. In December the Company filed the NI 43-101 Technical Report for Araguaia including the FS results and the potential upside which could be realised from doubling production by adding a second line.



Highlights of the Stage two expansion are:

> The Stage 2 expansion, assumed in year 3, supports a 26-year mine life generating cash flows after taxation of US$2.6 billion;
> No increase in the initial capital cost which remains at the same level at the FS Stage 1 of US$443 million, the Stage 2 expansion is financed through operational cash flow;
> Estimated post-tax Net Present Value ("NPV") of US$741 million and Internal Rate of Return ("IRR") of 23.8% using the base case nickel price forecast of US$14,000/t;
> Using a nickel price of US$11,000/t generates cash flows after taxation and payback of capital of US$1.0 billion;
> Nickel grade of 1.82% for the first 10 years of the Stage 2 operation;
> Annual nickel production of approximately 29,000 t/a;
> C1 (Brook Hunt) cash cost year 1 to Year 10 of US$3.00 per pound ("/lb") of nickel (US$6,613/t), making Araguaia a low-cost producer. Life of mine C1 cash cost of US$3.51 per pound ("/lb") of nickel (US$7,737/t); and
> Using the consensus mid-term nickel price of US$16,800/t, the post-tax NPV_8 for the Stage 2 option increases to US$1,264 million with an IRR of 31.8%.

A summary of the Sections of the Study:

Section 1 — Project Summary

The wholly owned Araguaia Project is located in the south-east of the Brazilian state of Pará, approximately 760 km south of the state capital Belém.

The Project comprises an open pit nickel laterite mining operation that mines a 27.5 million tonne ("Mt") Mineral Reserve of a 119 Mt Mineral Resource to produce 52,000 tonnes of ferronickel ("FeNi") (containing 14,500 tonnes of nickel) per year, for the 28-year mine life. The metallurgical process comprises a single line RKEF to extract FeNi from the laterite ore. The RKEF plant and project infrastructure will be constructed over a 31-month period. After an initial ramp-up period, the plant will reach full capacity of approximately 900,000 tonnes of dry ore feed per year. The FeNi product will be transported by road to the port of Vila do Conde for sale to overseas customers.

The process plant, mining, infrastructure and utilities engineering has been developed to support capital and operating cost estimates to the Association for the Advancement of Cost Engineering ("AACE") class 3 standard. This means that capital and operating costs estimates have a combined accuracy of - 10%+15%. The capital and operating costs are as of Q3 2018.

The following figure shows a 3D image of the proposed RKEF plant at the Araguaia Ferronickel Project

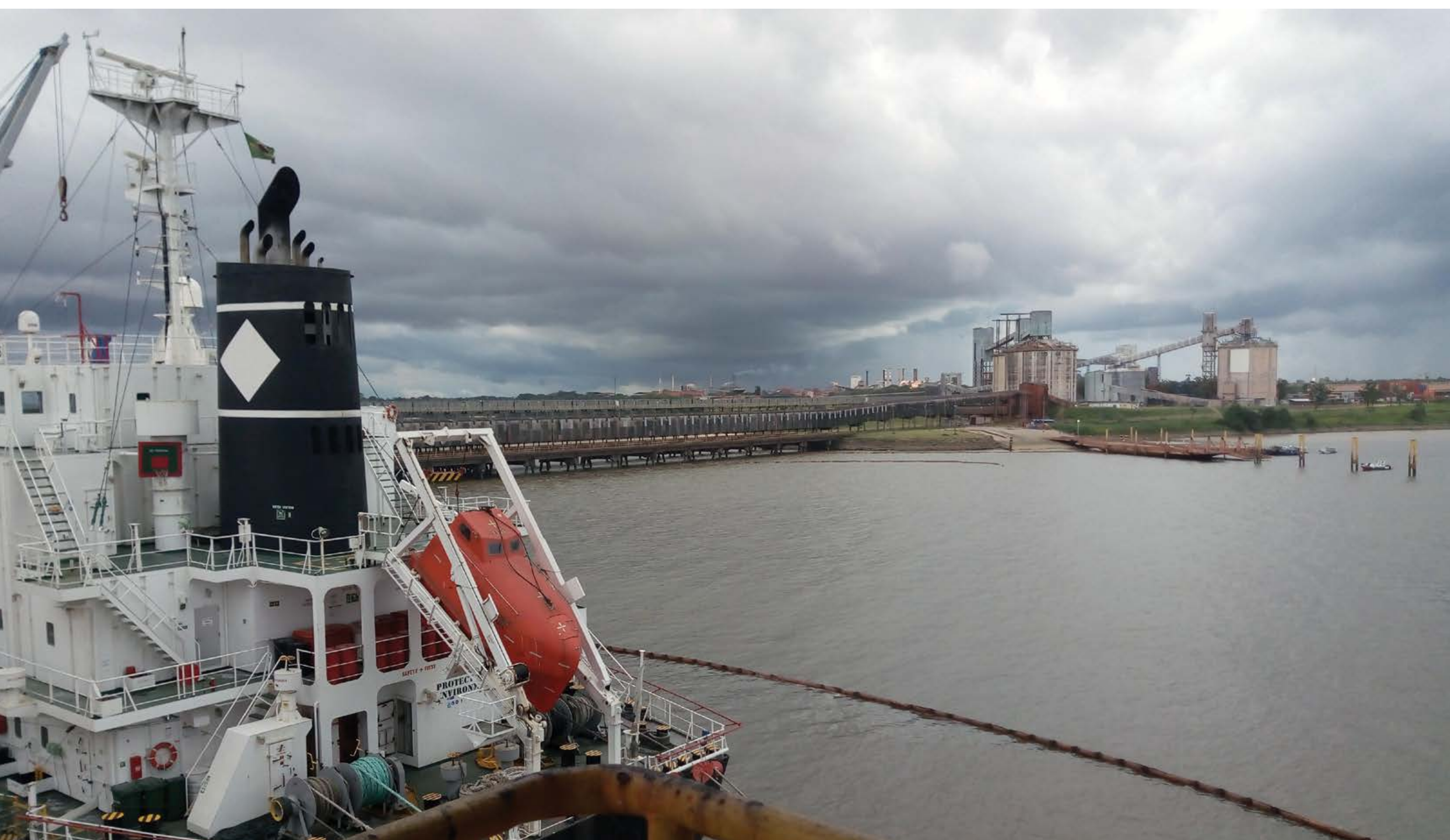
Operations Review continued

The results of the FS demonstrate that Araguaia should be progressed to detailed engineering and construction, these results are highlighted in Table 1, below. The information in Table 1 assumes 100% equity. The base case was developed using a flat nickel price of US$14,000/t Ni in line with Wood Mackenzie's ("WM") short term forecast. Two other cases were prepared; one using a market consensus price of US$16,800/t Ni and the other used WM's long term forecast of US$26,450/t Ni. These two additional price forecasts represent upside scenarios.

Table 1: Key Feasibility Study Project Economic Indicators (post taxation)

		Nickel price basis (US$/t Ni)		
Item	Unit	Base (14,000)	CIBC (16,800)	Wood Mackenzie (26,450)
Net cash flow	US$M	1,572	2,582	6,060
NPV_8	US$M	401	740	1,906
IRR	%	20.1	28.1	50.4
Breakeven (NPV_8) Ni price	US$/t	10,766	10,766	10,766
C1 Cost (Brook Hunt)	US$/t Ni	8,193	8,193	8,193
Production year payback	years	4.2	3.3	1.8
LOM Ni recovered	kt	426	426	426
LOM Fe recovered	kt	995	995	995
Average Ni production at 0.9 Mt/a ore [1.]	kt/a	14.5	14.5	14.5
Average Fe production at 0.9 Mt/a ore	kt/a	32	32	32
Total revenue	US$M	5,970	7,164	11,449
Total costs	US$M	3,811	3,995	4,657
Operating cash flow	US$M	2,159	3,169	6,792
Capital intensity – Initial capex/t nickel	US$/t Ni	1,041	1,041	1,041

1. Average over initial 28 years of processing



Section 2 — Resources / Reserves and Mining

Snowden Mining Industry Consultants completed the mining engineering along with mining capital, operating cost estimates and resource estimation for the Project. Snowden is a global mining consulting and training business with leading skills and technologies in mining engineering, mine optimisation, and resource estimation.

Mineral Resources

The Project has two principal mining centres; Araguaia Nickel South ("ANS") and Araguaia Nickel North ("ANN"). ANS hosts seven deposits and contains most of the Mineral Resources. ANS includes Pequizeiro, Baiao, Pequizeiro West, Jacutinga, Vila Oito East, Vila Oito West and Vila Oito, while ANN hosts the Vale do Sonhos deposit.

A number of phases of diamond drilling has been completed across the Project commencing in 2010. Drilling at ANS has been undertaken by Horizonte and Teck, with drilling at ANN by Xstrata/Glencore. The Company has been active on the ANS project since the initial discovery in 2010, when it successfully completed the acquisition and integration of the Teck and Xstrata project areas, it has been the sole project operator since 2015. A total of 75,250 metres ("m") of diamond drilling has been completed across 2,627 holes for the Project.

Mineral Resource estimates for the deposits under consideration for the FS are shown in Table 2. The Measured Mineral Resource is estimated at 18 Mt at a grade of 1.44% Ni using a cut-off grade of 0.90% Ni. The Indicated Mineral Resource is 101 Mt at a grade of 1.25% Ni at a cut-off grade of 0.90% Ni. This gives a combined Mineral Resource of 119 Mt at a grade of 1.27% Ni for Measured and Indicated Mineral Resources at a cut-off grade of 0.90% Ni (inclusive of Mineral Reserves). A further 13 Mt at a grade of 1.19% Ni (at a cut-off grade of 0.90% Ni) is defined as an Inferred Mineral Resource.

Table 2: Mineral Resources for ANS and ANN as of February 2017 by material type (0.90% Ni cut-off)

Araguaia	Category	Material type	Tonnage (kT)	Bulk density (t/m^3)	Contained Ni metal (kT)	Ni (%)	Co (%)	Fe (%)	MgO (%)	SiO_2 (%)	Al_0O_3 (%)	Cr_2O_3 (%)
Subtotal	Measured	Limonite	1,232	1.39	15	1.20	0.15	37.43	2.00	17.15	11.07	2.98
		Transition	6,645	1.26	116	1.75	0.07	18.89	10.20	42.06	6.59	1.29
		Saprolite	10,291	1.40	130	1.27	0.03	12.03	24.08	41.24	3.95	0.87
Total	Measured	All	18,168	1.35	261	1.44	0.05	16.26	17.51	39.91	5.40	1.17
Subtotal	Indicated	Limonite	19,244	1.39	216	1.12	0.12	36.22	2.40	20.46	9.61	2.65
		Transition	30,917	1.20	439	1.42	0.07	21.38	11.26	38.95	5.37	1.51
		Saprolite	51,008	1.31	610	1.18	0.03	11.83	25.79	40.59	3.16	0.85
Total	Indicated	All	101,169	1.30	1,264	1.25	0.06	19.39	16.90	36.26	5.06	1.39
Total	Measured + Indicated	All	119,337	1.30	1,525	1.27	0.06	18.91	16.99	36.81	5.11	1.36
Subtotal	Inferred	Limonite	2,751	1.37	30	1.08	0.10	34.92	3.04	22.84	9.23	2.50
		Transition	4,771	1.20	62	1.30	0.07	21.23	11.04	39.09	5.62	1.40
		Saprolite	5,398	1.35	62	1.15	0.03	11.80	24.36	41.81	3.69	0.82
Total	Inferred	All	12,920	1.30	154	1.19	0.06	20.21	14.90	36.77	5.58	1.39

Notes:
1. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive subtotals, totals and weighted averages. Such rounding consequently introduces a small margin of error. Where these occur, Snowden does not consider them to be material.
2. Mineral Resources are reported inclusive of Mineral Reserves.
3. The reporting standard adopted for the reporting of the Mineral Resource estimate uses the terminology, definitions and guidelines given in the CIM Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.
4. Snowden completed a site inspection of the deposit by Mr Andy Ross FAusIMM, an appropriate "Independent Qualified Person" as such term is defined in NI 43-101.
5. kt = thousand tonnes (metric).

Operations Review continued

Mineral Reserves

The Mineral Reserve was estimated by Snowden in accordance with the CIM (2010) and JORC (2012) guidelines.

All economic Indicated Mineral Resources within the pit designs were classified as Probable Mineral Reserves and all Measured Mineral Resources at Pequizeiro were classified as Proven Mineral Reserves (this classification was tested and supported by the trial mining program completed in this pit in 2017). Measured Mineral Resources at Vale dos Sonhos were classified as Probable Mineral Reserves. A summary is provided in Table 3. The Mineral Reserve of 27.2 Mt gives mine life of 28 years based on the annual ore throughput to the RKEF plant of 900,000 t/a.

Table 3: Open Pit Mineral Reserves reported at October 2018

Category	Ore (Mt)	Ni (%)	Fe (%)	SiO_2:MgO	Al_2O_3 (%)
Proven	7.33	1.72	16.01	3.01	6.00
Probable	19.96	1.68	17.57	2.36	4.56
Total	27.29	1.69	17.15	2.52	4.94

Notes
1.Mt – million dry metric tonnes.
2. Cut-off used was 1.4% Ni.
3. Dilution was modelled as part of re-blocking, ore losses applied are 8%.
3. The reporting standard adopted for the reporting of the Mineral Reserve estimate uses the terminology, definitions and guidelines given in the CIM Standards on Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.
4. Snowden completed a site inspection on three occasions between March 2016 and May 2017 by Mr Frank Blanchfield FAusIMM, an appropriate "Independent Qualified Person" as such term is defined in NI 43-101.

Mining

The deposits will be mined via conventional open pit truck and shovel techniques using contractors. No blasting will be necessary. Reverse circulation ("RC") grade control drilling will be completed at a 10 m x 10 m spacing well ahead of mining. This combined with the use of visual control of the limonite and transition boundary, face sampling, stockpile sampling and ore feed sampling, supports a comprehensive mine-to-mill strategy that is designed to maintain consistent feed to the process plant.

Waste will be stored in external dumps near the pits. Ore will be transported to stockpile hubs near each deposit. Sheeting (using ferricrete won from the overburden) will be required to support trafficability in and around the mine during the wet season. Depending on plant demand, ore will be hauled from hub stockpiles or directly from the pits to the run of mine ("ROM") at the RKEF process facility. Stockpiles on the ROM will be sheeted and classified according to ore type and chemistry for blending.

The resource model was converted to a mining model to reflect the mining method and incorporated anticipated mining dilution and loss. The model was re-blocked to 6.25 m x 6.25 m x 2 m, with a 300 mm "skin" of transition (directly beneath the limonite boundary) treated as loss.

The pits were optimised to target the highest-grade material giving a mine life of approximately 28 years. This resulted in a cut-off grade of 1.4% Ni being applied. The pits were then optimised using Whittle 4X to determine a shell to use for design.

The annual mining rate peaks at 3.5 Mt/annum between production years two and seven before dropping down to 3.0 Mt/annum for the remainder of the Project.

The mine supplies high nickel grades in the early mine life, reaching 2% in production year 2. The Ni grade is above 1.8% for the majority of the first 10 years of production and reduces to average approximately 1.6% Ni for the remaining mine life.

Section 3 — Processing

The process plant design, along with capital and operating cost estimates were completed by Ausenco Engineering Canada Inc ("Ausenco"). Ausenco is a global diversified engineering, construction and project management company providing consulting, project delivery and asset management solutions to the resources, energy and infrastructure sectors.

The Project will utilise a single RKEF processing line from ore receipts through to shotting of the FeNi product, Figure 2.
The RKEF process is used in over 40 operating nickel laterite plants around the world and was deemed appropriate for the Project based on the metallurgical testwork and the pilot plant campaigns completed bulk samples that were deemed representative of the ore.

The key steps in the RKEF flowsheet are (Figure 2);

> ROM ore, at an average moisture content of 34%, is first blended to meet metallurgical processing requirements, then transported to the primary crushing stage. Here the ore is sized using two stages of crushing to match the requirements of the subsequent steps. A mineral sizer with a 200 mm gap is used for primary sizing, while a mineral sizer with a 50 mm gap is used for the final stage;

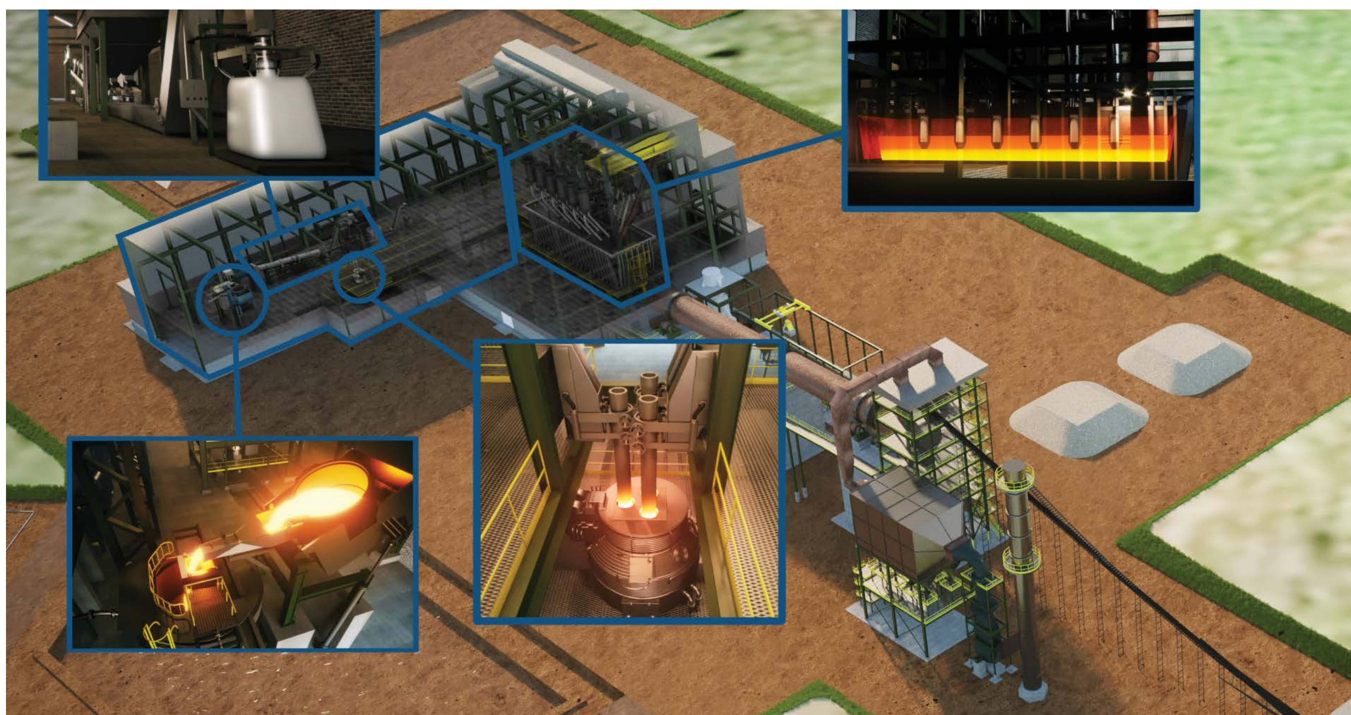
> The ore is then homogenised, partially dried and agglomerated to an average moisture content of 18% in a rotary dryer (4.5 m diameter x 40 m long) and fired with pulverized coal;

> The dried agglomerated ore is then fed to the rotary kiln with the addition of reductant coal. In the kiln, the ore is completely dried, calcined to remove chemically-combined moisture, and the iron and nickel oxides are partially pre-reduced. Kiln dust is recycled to the process at the primary crushing stage ahead of the dryer/agglomerator;

> Calcine from the kiln is then transferred to the electric furnace where further reduction of the nickel and iron occurs, melting and separation of the metal and slag occurs at high temperature. Slag is tapped at a temperature of around 1,575°C, while FeNi metal is tapped at a temperature of close to 1,500°C;

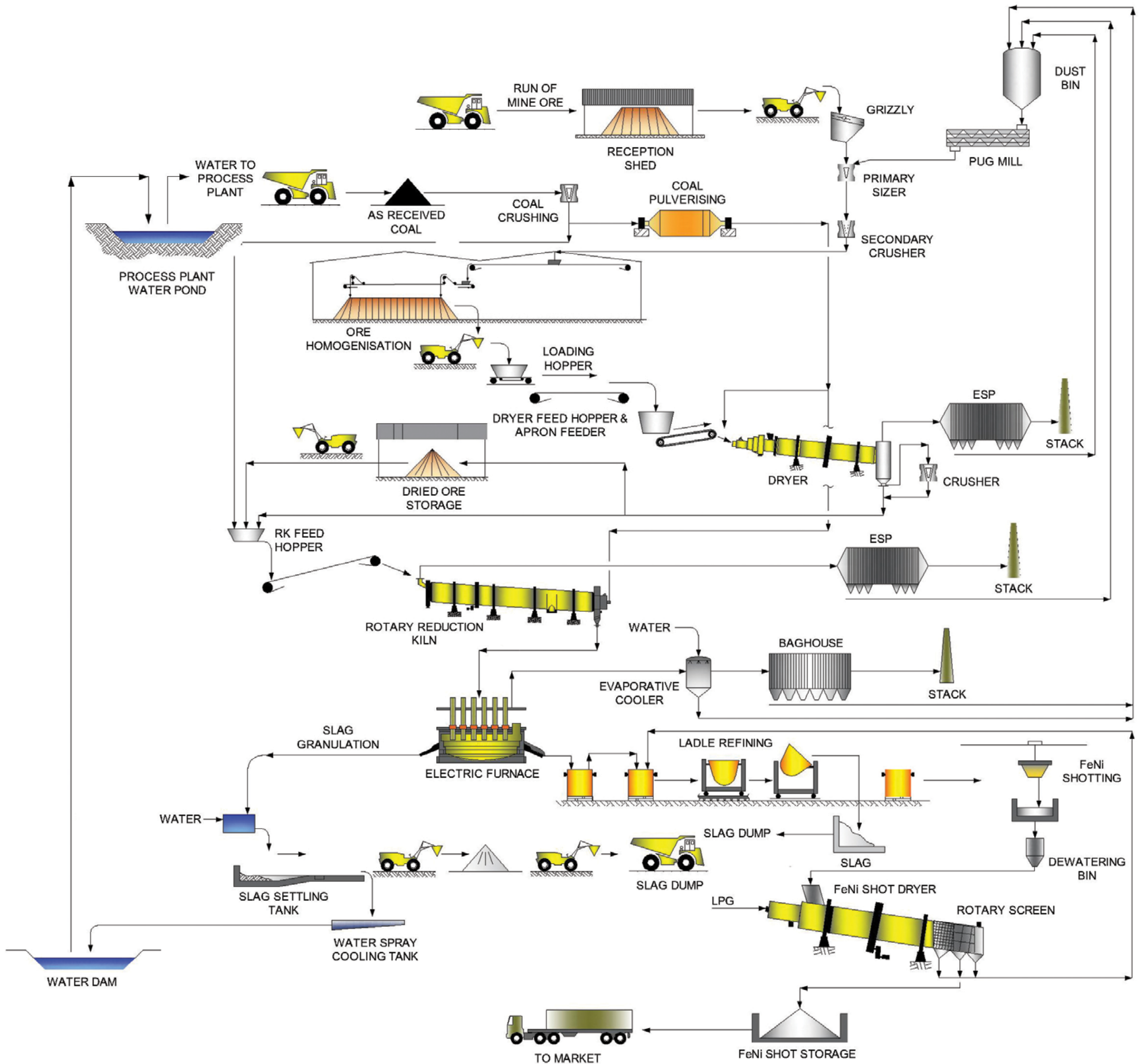
> After tapping, the melt is transferred by ladle to the refining stage. The final FeNi product containing 30% Ni is shotted with water, screened, dried and stockpiled prior to dispatch to the port on trucks where it either bagged or loaded bulk into sea containers for shipping to customers; and,

> The electric furnace slag is granulated and transferred to the slag repository by truck.



Operations Review continued

Figure 2: ANP process flow diagram



Section 4 — Financial Evaluation

Capital Cost
The estimate is classed as an AACE class 3 estimate which means that it deemed by the qualified persons to have an accuracy range between -10% and +15% of the final project cost (excluding contingency) with a base date of October 2018. All amounts expressed are in US dollars unless otherwise stated.

The capital costs estimate ("capex") includes all the direct and indirect costs, local taxes and duties and appropriate contingencies for the facilities required to bring the Project into production, including the process plant, power line, water pipelines and associated infrastructure as defined by the FS. The estimate is based on an Engineering Procurement and Construction Management ("EPCM") implementation approach and the Project contracting strategy.

The total estimated initial (pre-production) capital cost for the project is US$443.1 million (after tax, including growth and contingency, excluding escalation). A summary of the capex is shown in Table 4.

Table 4: Summary of capex

WBS #	Area	US$'000
1000	Mine	6,003
3000	Ore Preparation	38,731
4000	Pyrometallurgy	137,518
5000	Material Supply	21,413
6000	Utilities and Infrastructure	106,918
7000	Buildings	9,095
8000	Indirect Costs	82,409
	Contingency	40,989
Total Costs		443,076

The direct costs in Table 4 include supply, shipping and site installation. The total contingency carried in the capex is US$41.0 million, which combined with the US$24.3 million growth allowance (this is included in the direct costs) provides a total provision of US$65.3 million for growth and contingency. This combined sum represents 17.2% of the total capex (excluding growth and contingency).

Operational costs
The mining and operating cost estimate ("opex") was calculated for an operation producing 14,500 t Ni per annum and is set out as an annual total and US$/t Ni in Table 5 (below), calculated as an average over the Life of Mine ("LOM"). The operating costs cover the mine, process plant, ore preparation, social and environmental, royalties and general and administrative overheads. The main contributors of the overall operating costs are power, coal, labour and mining costs, with additional consumables and other indirect costs, including G&A.

Table 5: Summary of opex

Description	Cost/annum (US$)	US$/t nickel
Process Plant		
Directs		
Power	$32,114,355	$2,410
Coal	$21,591,099	$1,620
Other directs	$17,965,039	$1,348
Labour	$7,831,286	$588
Subtotal – Direct costs	$79,501,779	$5,966
Indirects	$10,285,640	$772
Mining costs	$21,112,173	$1,584
Total costs	$110,889,592	$8,322

Operations Review continued

Summary Economics

The financial model prepared assumes 100% equity. The base case was prepared using a flat nickel price of US$14,000/t Ni. Two other cases were examined; one using a market consensus price of US$16,800/t Ni and the other used the WM long term forecast of US$26,450/t Ni. These two additional price forecasts represent upside scenarios.

As shown in Table 1, the post taxation base case has a 4.2-year payback period with cumulative gross revenues of US$5,970 million. The economic analysis indicates a post-tax NPV_8 of US$401 million and an IRR of 20.1%. When the long-term price forecast by WM of US$26,450/t Ni. is used, the NPV_8 becomes US$1,906 million and the IRR 50.4%. Table 6 shows the pre-taxation results for various Nickel price assumptions.

Table 6: Project economic performance (pre-taxation)

		Nickel price basis (US$/t Ni)		
Item	Unit	Base (14,000)	CIBC (16,800)	Wood Mackenzie (26,450)
Net cash flow	US$M	1,834	3,208	7,313
NPV_8	US$M	456	840	2,219
IRR	%	21.2	29.9	55.3
Breakeven (NPV_8) Ni price	US$/t	10,672	10,672	10,672
C1 Cost (Brook Hunt)	US$/t Ni	8,193	8,193	8,193
Production year payback	years	4.0	3.0	0.75
Total costs	US$M	4,137	4,137	4,137
Operating cash flow	US$M	2,421	3,616	7,901

Sensitivity Analysis

The sensitivity analysis demonstrates how the NPV_8 is affected by changes to one variable while holding the other variables constant. The results of the sensitivity analysis are presented in Table 7 and Figure 3. The breakeven ("B/E") indicates the change in the variable that will bring the project NPV_8 to US$0.000 if all other variables remain unchanged. For example, if the grade of Ni reduces by 23.7% the Project will break even on NPV_8.

Table 7: Sensitivity table for the Base Case (US$14,000/t) NPV_8, after taxation

	-20%	-10%	-5%	0%	5%	10%	20%	B/E[1]
Grade Ni	65	234	317	401	483	566	731	-23.7%
Recovery Ni	65	234	317	401	483	566	731	-23.7%
Price Ni	56	230	315	401	485	570	740	-23.1%
Pre-production capital	469	435	418	401	383	366	331	110.2%
Production capital	403	402	401	401	400	399	397	—
Mining cost	436	418	409	401	391	383	365	222.6%
Processing cost	531	466	433	401	367	335	269	59.8%
US$/BRL FX rate	222	321	363	401	434	465	519	-35.4%
Electricity price	447	424	412	401	389	377	353	167.2%
Discount factor	524	458	428	401	374	349	304	151.3%
Overhead cost	414	407	404	401	397	393	386	—

1. The breakeven change for the variable if all other variables remain unchanged. For example, if the grade of Ni reduces by 23.7% the Project will break even on NPV_8.

The sensitivity analysis shows that the Project is more sensitive to nickel price, nickel recovery and grade than it is to either opex or capex.

Section 5 — Market Review and Nickel Pricing

A market study was provided by WM, a global natural resource research and consulting company, with speciality in the nickel industry. WM's findings are summarised below.

World nickel demand is forecast to increase by 3.6% in 2018, to 2.26 Mt before slowing to a compound annual growth rate of 2.1% a year, reaching 2.61 Mt in 2025. Growth over the long term is slightly stronger, at 2.5% a year, to 3.35 Mt in 2035, due to increasing uptake by the battery segment (for electric vehicles). Over this period, primary nickel uptake in stainless will account for 50–70% of total demand, rising from 1.54 Mt in 2018 to 1.66 Mt in 2025, and 1.77 Mt in 2035.

Thus, with an outlook for nickel of structural shortage, deepening deficits and falling stocks, nickel prices are expected to continue to increase above their recently established range of US$12,500/t to US$15,000/t (US$5.90 to US$6.80/lb). A near term forecast for the purposes of the FS is therefore, US$14,000/t (US$6.35/lb). For comparison, WM's long-term incentive price currently stands at about US$26,450/t (US$12.00/lb).

The composition of ANP $FeNi_30$ is comparable to existing $FeNi_30$ being produced. Consequently, there is no impediment (based on the elemental breakdown provided) to the proposed $FeNi_30$ product being acceptable to the stainless steel market.

World stainless steel production increased by 12 Mt between 2012 and 2017, mostly in China and to a lesser extent across the rest of Asia. Forecast production in 2018 is 50.8 Mt, up 4.5% on 2017. This upward trend is likely to continue over the mid-term, before slowing after 2025. As future growth in stainless production is expected to continue, the demand for FeNi (including $FeNi_30$) should also increase. Consequently, WM forecasts long term FeNi production to be 450,000–460,000 a year, compared with 433,000 in 2018. This suggests there could be a need for the development of new FeNi projects in the future.

Operations Review continued

Section 6 — Community and Environment

The FS sets out the key environmental and social risks and impacts and how the Company plans to minimise, manage and mitigate them and then monitor performance. This will be primarily achieved through a system of Environmental Control Plans, to be implemented before, during and after construction to meet Brazilian and international standards.

The Company worked with Environmental Resource Management ("ERM"), a global leader in this field, together with local Brazilian groups: Integratio Mediação Social e Sustentabilidade (social and land) and DBO Environmental Engineering (fauna) for the FS environmental and social work streams and the project permitting work for the Construction Licence (Licença de Instalação ("LI"). All work has been undertaken to IFC Performance Standards, 1, 2 and 5 and Brazilian CONAMA (environmental) legislation.

The groups have conducted a number of new studies on the project in 2017 and 2018 together with ongoing programs, these included:

> Environmental Control Plans - elaboration and detailing of socio-environmental programs;
> Inventories of fauna and flora;
> Air dispersion modelling;
> Hydrogeological modelling and water balance;
> Visits by physical, biological and social analysts to site; and,
> Air, noise and water monitoring — ongoing as part of base line data build up into the construction and operational phase.

The project will generate approximately 500 direct and indirect jobs in the south-eastern rural area of Pará State, over the 28 years of operations. The majority of these workers during the operational phase will reside locally. The peak construction workforce is expected to reach over 1,000.

Community contributions are expected to total over US$700 million during the LOM, including:

> Over US$400 million in company taxes; and,
> Over US$280 million in employee and contractor wages.

Section 7 — Next Steps

Subject to Horizonte's Board of Directors' approvals, completion of project financing, and overall nickel market conditions, the Company will continue to advance the Project towards construction, the key development milestones will be spilt into two phases, with the next six to eight months focussed on Phase 1.

Phase 1

> Completion of any outstanding metallurgical test work;
> Completion of basic engineering and move to detailed design engineering;
> Early works site preparation; and,
> Commence negotiations with EPCM or EPC providers.

Phase 2

> Completion of detailed design;
> Specification, vendor selection, and contracts for all mechanical packages; and,
> Completion of EPCM or EPC activities scheduled to deliver the project based on a 31 month schedule.

To move the project into the construction phase the company is seeking project financing. Consequently, the company has appointed Endeavour Financial to provide advice in this area. Endeavour will be focusing on the debt and offtake development package for Araguaia. Endeavour Financial is a well-regarded firm with a strong track record of success in the mining industry, specialising in arranging multisource financing for single asset development companies, an example being the recently closed US$750 million financing package for Lundin Gold's Fruta del Norte project in Ecuador.

Vermelho

Horizonte's 100% owned Vermelho Nickel-Cobalt project was acquired from Vale in early 2018, it is located in the eastern part of the Carajás mining district and approximately 80 kilometres north west of the Company's Araguaia North ferronickel project.

During the year the Company filed an initial NI 43-101 Mineral Resource Estimate for the Vermelho Nickel/Cobalt project.

Highlights:

> The Vermelho Nickel-Cobalt Mineral Resources, in the Measured and Indicated category, are **167.8 million tonnes grading 1.01% nickel and 0.06% cobalt** (at 0.9% nickel equivalent cut off)
> The Measured and Indicated mineral resources categories are estimated to contain 1.68 million tonnes (3,700 million lbs) of nickel and 94,000 tonnes (207 million lbs) of cobalt
> The Mineral Resource Estimate places the Vermelho project as one of the largest, highest grade undeveloped laterite Nickel-Cobalt resources globally
> Significant portion of high grade saprolite within the deposit is amenable to the Rotary Kiln Electric Furnace process route to produce ferronickel being developed at the Araguaia project
> Test work is currently underway to confirm the Vermelho mineralisation is suitable to produce nickel and cobalt sulphate for the EV battery Market

At a 0.90% nickel-equivalent cut-off grade the estimated Nickel-Cobalt mineral resources in the Vermelho ("V1") and Vermelho ("V2") deposits are presented in Table 1. The Mineral Resource is reported by a series of nickel equivalent cut-offs in 2018 from Gemcom mining software. The basis of the nickel equivalent calculation is the equation NiEq% = Ni% + (6 x Co%), based upon the relative average cash prices for nickel and cobalt metals, as reported on the London Metal Exchange for the six-month period 2nd November 2017 to 3rd April 2018. The nickel equivalent calculation assumes similar nickel and cobalt recoveries as obtained by the test work carried out by Vale in the Feasibility Study.

A total of 77,575 metres (1,383 holes) from V1 and 51,165 metres (877 holes) from V2 were used in the evaluation of the deposits and Mineral Resource Estimates reported in the Vermelho Feasibility Study.

Operations Review continued

Table 1 Combined Classified Mineral Resource Report for Vermelho by Nickel Equivalent cut-offs

Cut-off NiEq%	Million Tonnes	NiEq%	Ni %	Ni metal ktonnes	Co %	Co metal ktonnes	Fe_2O_3%	SiO_2 %	MgO %
Measured									
0.8	185.4	1.28	0.96	1,781	0.05	99	31.53	43.14	9.58
0.9	**161.4**	**1.34**	**1.01**	**1,629**	**0.06**	**90**	**31.46**	**42.58**	**9.95**
1.0	138.5	1.41	1.06	1,469	0.06	81	31.42	42.05	10.24
1.2	92.7	1.56	1.19	1,098	0.06	59	31.33	40.86	10.92
Indicated									
0.8	7.7	1.22	0.88	68	0.06	4	27.15	50.56	7.21
0.9	**6.4**	**1.29**	**0.93**	**59**	**0.06**	**4**	**27.52**	**50.32**	**6.85**
1.0	5.2	1.37	0.99	51	0.06	3	27.91	49.89	6.61
1.2	3.3	1.54	1.11	36	0.07	2	28.06	49.04	6.73
Measured and Indicated									
0.8	193.1	1.28	0.96	1,848	0.05	103	31.36	43.43	9.49
0.9	**167.8**	**1.34**	**1.01**	**1,688**	**0.06**	**94**	**31.31**	**42.87**	**9.83**
1.0	143.7	1.41	1.06	1,520	0.06	84	31.29	42.33	10.11
1.2	96.0	1.56	1.18	1,135	0.06	61	31.22	41.14	10.77
Inferred									
0.8	3.8	1.13	0.87	33	0.04	2	24.23	41.75	15.27
0.9	**2.8**	**1.23**	**0.94**	**27**	**0.05**	**1**	**25.86**	**41.83**	**13.47**
1.0	2.1	1.33	1.01	21	0.05	1	27.25	41.84	11.92
1.2	1.2	1.51	1.13	13	0.06	1	28.65	41.49	10.66

The Vermelho project was developed by Vale with the objective of becoming its principal nickel-cobalt operation. Extensive work was undertaken on the project, which included drilling programmes totalling 152,000 metres, full scale pilot test work and detailed engineering studies. The project was subsequently taken through a feasibility programme with Vale announcing a positive development decision in 2005. The project was designed around the construction of a high-pressure acid leaching plant ("HPAL") to process the nickel/cobalt laterite ore. The Feasibility Study included a five-year metallurgical test work and pilot plant programme which delivered 96% average leaching extraction rates of nickel and cobalt, in addition LME grade nickel — cathode was produced. The Feasibility Study showed production capacity of 46,000 tons/annum ("tpa") of metallic nickel, and 2,500 tpa of metallic cobalt, with an expected commercial life of 40 years. Vermelho was subsequently placed on hold by Vale after the delivery of the FS due to the acquisition of Inco Limited.

Next Phase of Vermelho Project Development

During the course of 2019 Horizonte plans to undertake the following work on the project:

> Review the historic metallurgical test work and new work to test the high grade saprolite parts of the deposit to confirm its suitability for use in the RKEF flow sheet developed for Araguaia; and, confirm that the mixed hydroxide product developed by Vale can be upgraded to produce nickel and cobalt sulphate for potential use in EV battery products.

> Subject to successful results from these initial work steams and identification of suitable process routes the Company plans to complete a Pre-Feasibility Study ("PFS") to demonstrate the potential value of the project.

Strategic Report Simon Retter

The Directors of the Company and its subsidiary undertakings (which together comprise "the Group") present their Strategic Report for the year ended 31 December 2018.

Review of the Business

The Group is focussed on the development of the enlarged Araguaia nickel project, in Brazil. See the Chairman's Statement on page 5 and Operations Review on page 6 for detailed reviews of the business during the year.

Aims, Strategy & Business Plan

The Group's **aim** is to create value for shareholders through the development of the Araguaia Project through to feasibility stage and into development.

The Group's **strategy** is to continue to progress the development of the 100% owned Araguaia project towards construction as well as undertaking a pre-feasibility study on the newly acquired Vermelho project. The Group also evaluates on an ad hoc basis with a view to eventual acquisition, exploration and development of mineral projects in jurisdictions in which it holds a presence, and/or in sectors in which management has expertise.

The Group's **business plan** is to advance the Araguaia project towards construction and ultimately bring the asset into production in order to enhance shareholder value. During 2018 a Feasibility Study was published, which was a further milestone in progressing the development and de-risking the Araguaia project. The completion of the Vermelho acquisition early in 2018 commenced a second strand of work to advance a prefeasibility study on this newly acquired Nickel-Cobalt project.

The Board seeks to run the Group with a low-cost base in order to maximise the amount that is spent on exploration and development as this is where value can be added. To this extent, the corporate office is run on a streamlined basis by a core team, and specialist skills and activities are outsourced as appropriate, both in the United Kingdom and in Brazil.

The Group finances its activities through periodic capital raisings with share placings. As the Group continues to develop its projects, there may be opportunities to obtain funding through other financial instruments, including royalty, debt or other arrangements with strategic parties.

Principal Risks and Uncertainties

Set out below are the principal risks and uncertainties facing the Group:

Exploration risks

The exploration and mining business is controlled by a number of global factors, principally supply and demand which in turn is a key driver in global metal prices; these factors are beyond the control of the Group. Exploration is a high-risk business and there can be no guarantee that any mineralisation discovered will result in proven and probable reserves or go on to be an operating mine. At every stage of the exploration process the projects are rigorously reviewed, both internally and by qualified third party consultants to determine if the results justify the next stage of exploration expenditure, ensuring that funds are only applied to high priority targets.

In late 2018, the Group completed its feasibility study of the Araguaia project.

The principal assets of the Group, comprising the mineral exploration licences are subject to certain financial and legal commitments. If these commitments are not fulfilled the licences could be revoked. The Group closely monitors on an ongoing basis its commitments and the expiry terms of all licenses in order to ensure good title is maintained. They are also subject to legislation defined by the government in Brazil; if this legislation is changed it could adversely affect the value of the Group's assets.

Resource and Reserves Estimates

The Group's reported resources and reserves are only estimates. No assurance can be given that the estimated resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and as a result are uncertain because the samples may not be fully representative of the full resource. Mineral resource estimates may require revision (either up or down) in future periods based on further drilling or actual production experience.

Any future resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that they can be brought into profitable production. Furthermore, a decline in the market price for natural resources, particularly nickel, could render reserves containing relatively lower grades of these resources uneconomic to recover.

Country risk

The Group's licences and operations are located in foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, appropriation of property without fair compensation, cancellation or modification of contract rights, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted.

Brazil is the current focus of the Group's activity and offers stable political frameworks and actively supports foreign investment. It has a well-developed exploration and mining code with proactive support for foreign companies.

Volatility of commodity prices

Historically, commodity prices (including in particular the price of nickel) have fluctuated and are affected by numerous factors beyond the Group's control. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices in the long-term may adversely affect the returns of the Group's exploration projects.

Whilst the outlook and forecasts for nickel prices are generally positive, any significant reduction in the global demand for nickel, leading to a fall in nickel prices, could lead to a significant fall in the cash flow of the Group in future periods and/or delay in exploration and production, which may have a material adverse impact on the operating results and financial position of the Group.

Financing

The successful exploration of natural resources on any project requires significant capital investment. The Group currently sources finance through the issue of additional equity capital. The Group's ability to raise further funds will depend on the success of its investment strategy and acquired operations. The Group successfully raised capital recently, which places it in a strong position, however, the Group may not be successful in procuring the requisite funds on terms which are acceptable to take the project forwards and, if such funding is unavailable, the Group may be required to reduce the scope of its investments or anticipated expansion. As the Group is currently in the exploration stage it does not generate revenues and is therefore reliant on its cash resources and obtaining additional financing to funds its operations, should the cash resources deplete and should there be a lack of available financing alternatives the Group may find it difficult to fund its working capital.

The directors have identified that the Group will need to raise further funds in the next twelve months. Further information is provided in note 2.4 to the financial statements.

Dependence on key personnel

The Group is dependent upon its executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, as well as a long-term incentive plan comprising options and milestone incentives, the retention of their services cannot be guaranteed. The development and success of the Group depends on the ability to recruit and retain high quality and experienced staff. The loss of service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions. To date the Group has been successful in recruiting and retaining high quality staff.

Title risk

The Group's current and future operations will require approvals and permits from various federal, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, the Group must receive permits from appropriate governmental authorities. There can be no assurance that the Group will continue to hold all permits necessary to develop or continue operating at any particular property or obtain all required permits on reasonable terms or on a timely basis.

Strategic Report continued

Uninsured risk
The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond its control, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards and weather conditions or other acts of God.

Financial risks
The Group's operations expose it to a variety of financial risks, particularly relating to foreign currency exchange rates as a result of the Group's foreign operations. The Group has a risk management programme in place that seeks to limit the adverse effects of these risks on the financial performance of the Group.

The Parent Company's financial risk relates to the recoverability of its loans to subsidiaries. Further information relating to the assessment of expected credit losses is provided in note 25 to the financial statements.

Details of the Group's financial risk management objectives and policies are set out in note 3 to the Financial Statements.

Financial Performance Review

The Group is not yet producing minerals and so has no income other than bank interest. Consequently, the Group is not expected to report profits until it disposes of or is able to profitably develop or otherwise turn to account its exploration and development projects. The principal financial key performance indicators ("KPIs") monitored by the Board concern levels and usage of cash.

The three main financial KPIs for the Group allow it to monitor costs and plan future exploration and development activities and are as follows:

	2018	2017
Cash and cash equivalents	**£6,527,115**	£9,403,825
Administrative expenses as a percentage of Total assets	**3.2%**	2.4%
Exploration costs capitalised as intangible assets during the year	**£4,481,940**	£5,740,740

KPI's are not GAAP measurements and are not intended to be a substitute for these measures. The KPI's used by the Group may not be the same as those used by other companies and so should not be used as such.

Administrative expenses as a percentage of total assets have remained constant, in light of significant increase in overall activity as a direct result of the work undertaken on the FS.

Exploration costs capitalised as intangible assets relate to expenditure on the Araguaia project during 2018 and have increased significantly compared to the prior year due to the overall increase in work on the FS and associated work programmes.

At 31 December 2018, the Group's intangible assets had a carrying value of £35,737,902.

Non-Financial Key Performance Indicators ("KPIs")
The Board monitors the following non-financial KPIs on a regular basis:

Health and Safety — number of reported incidents
There were no significant reportable incidents in the current or prior year.

Operational performance
Good progress was made during the year with the completion of a FS on the Company's flagship Araguaia nickel project. This included drilling, trial excavation as well as engineering and environmental work.

Fundraising
On 22 December 2017, a total of 200,000,000 new ordinary shares were issued through a private placement in the United Kingdom at a price of £0.035 per share to raise £7,000,000 before expenses. This was followed by a simultaneous raise of £2.2 million in Canada by way of issuing 60,587,500 shares raising gross proceeds of CAD$3,635,250, which closed in January 2018.

Financial Review

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss before taxation	**(1,939,663)**	(1,667,156)
Cash and cash equivalents	**6,527,115**	9,403,825
Exploration assets	**35,737,902**	34,308,278
Net assets	**36,958,955**	39,241,815
Loss per share (pence)	**0.136p**	0.142p

Loss for the year
The loss for the year increased slightly to £1,939,662 from £1,667,156 in 2017 primarily due to changes in the estimate for the contingent consideration and an overall increase in the administrative expenditure and share based payment charge.

The Group has continued to keep a tight control on its administrative costs, which increased in the year by £242,961 to £1,336,093 as a direct result of the increased activity undertaken during 2018 in Brazil as part of the FS.

Furthermore, total comprehensive loss attributable to equity holders of £4,967,699 included loss on currency translation differences of £3,028,006. This was due to the weakening of BRL against both USD and GBP as at 31 December 2018, as compared to 31 December 2017.

Exploration Assets
Exploration assets, which comprise the Araguaia project, have increased to £35,737,902 as at 31 December 2018 as compared to £34,308,278 as at 31 December 2017: The Group incurred addition expenditure in the year, which included £3,236,829 in relation to work undertaken on the feasibility study as well as a significant foreign exchange revaluation loss of £3,052,316 as Sterling appreciated against the Brazilian Real. The exploration assets of the business are recorded in the functional currency of Brazil, the country in which they are located.

The strategic report was approved by the board on 28 March and is signed on its behalf by Simon Retter

Simon Retter
Company Secretary
28 March 2019

Board of Directors and Key Management

A wealth of experience

David J. Hall, BA (Hons), MSc, Fellow SEG, P.Geo, Non-Executive Chairman
Mr. Hall is a graduate in geology from Trinity College Dublin and holds a Master's Degree in Mineral Exploration from Queen's University, Kingston, Ontario. He has over 30 years of experience in the exploration and mining sector and has worked on and assessed exploration projects and mines in over 40 countries. From 1992, Mr. Hall was Chief Geologist for Minorco, responsible for Central and Eastern Europe, Central Asia and the Middle East. He moved to South America in 1997 as a Consultant geologist for Minorco South America and subsequently became exploration manager for AngloGold South America in 1999, where he was responsible for exploration around the Cerro Vanguardia gold mine in Argentina, around the Morro Velho and Crixas mines in Brazil and establishing the exploration programme that resulted in the discovery of the La Recantada gold deposit in Peru as well as certain joint ventures in Ecuador and Colombia. In April 2002, Mr. Hall became an executive director of Minmet and operations director in September 2002. Mr. Hall led the divestment of Minmet's exploration assets in the Dominican Republic into GoldQuest Mining Corporation, which is listed on the TSX Venture Exchange. Mr. Hall is also founder of Stratex International Plc, an AIM traded company with exploration assets in Turkey and in which Teck is an equity shareholder. Mr. Hall is a fellow of the Society of Economic Geologists and EuroGeol.

Jeremy J. Martin, MSc, ASCM Director and Chief Executive Officer
Mr. Martin holds a degree in Mining Geology from the Camborne School of Mines, and a Master's Degree in mineral exploration from the University of Leicester. He has worked in South America, Central America and Europe, where he was responsible for grassroots regional metalliferous exploration programmes through to resources definition and mine development. Mr. Martin has established a number of JV partnerships with major mining companies and has been involved in the formation of four AIM and TSX traded companies. He has served on a number of public company boards and is a member of the Society of Economic Geologists and the Institute of Mining Analysts.

Simon J Retter BSc (Hons), ACA Chief Financial Officer and Company Secretary
Mr Retter has a degree in Accounting and Finance from the University of Bristol and is a Chartered Accountant with over 10 years of experience in the mining industry. He has undertaken numerous corporate finance transactions across a broad range of industries including initial public offerings, reverse take overs and secondary fund raisings. He has served as finance director of Paragon Diamonds Ltd and currently holds the role of Non-Executive Director of HRC World plc, which holds the franchise for Hard Rock Cafes in greater China. Mr Retter is a member of the Institute of Chartered Accountants in England and Wales.

Owen A. Bavinton, BSc (Hons), MSc, DIC, PhD, Non-Executive Director
Dr. Bavinton graduated from the University of Queensland in Geology in 1969, holds a Master's Degree in Mineral Exploration from Imperial College, London and a PhD in Economic Geology from ANU, Canberra, Australia. He has over 45 years of varied international experience in the minerals exploration and mining sector in several commodities. After brief periods as a junior consultant and an underground mine geologist on a Witwatersrand gold mine, from 1974 to 1985 he had several positions with Western Mining Corporation, finally as director of WMC's activities in Brazil. From 1986 to 1992 he was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined the Anglo American group where he stayed until his retirement in 2010. Based initially in Turkey and then in Budapest, he was responsible for Anglo American's exploration and project evaluation activities in the FSU, Central Europe and the Middle East. He moved to London in 1998, initially as Head of Exploration for Minorco, and later Group Head of Exploration and Geology for the Anglo American Group. In those roles, he was responsible for worldwide exploration and geosciences covering a range of exploration projects, through all stages of development, including advanced projects and feasibility studies, as well as providing geoscience input into numerous acquisitions. He is a fellow of the Society of Economic Geologists, the Association of Applied Geochemists and the Institute of Materials, Mining and Metallurgy. Dr. Bavinton is currently an independent consultant and speaks French and Portuguese.

Allan M. Walker, MA, Non-Executive Director
Mr. Walker has over 35 years of experience in investment banking and funds management, primarily focused on energy sector project finance and private equity, particularly in emerging markets. He has extensive contacts in the energy, infrastructure and resources sectors worldwide, as well as with governments, multilateral agencies and regional development banks. Mr. Walker is currently a consultant with UK Department for International Trade, where he is Head of Project Finance. Previously he was with Masdar Capital in Abu Dhabi, as Executive Director, responsible for managing the third party private equity funds management business for Masdar, the Abu Dhabi government's clean energy and sustainability company. Prior to that he founded (in 2005) and ran a similar private equity fund for Black River Asset Management (UK) Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River, Mr. Walker was head of power and infrastructure in London for Standard Bank Plc, a world leader in emerging markets resource banking. Mr. Walker was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy group at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001, where he spent seven years covering Latin America. He also spent three years in the energy group of ING Barings in New York. Mr. Walker graduated with an MA in economic geography from Cambridge University in 1982 and received his financial training on a one year residential training programme with JP Morgan in New York in 1983. He speaks Portuguese and Spanish.

Alexander N. Christopher, BSc (Hons), P.Geo, Non-Executive Director
Mr. Christopher, a professional geologist, has over 30 years of experience in mineral exploration and the mining industry. He is a member of the Association of Professional Engineers and Geoscientists BC and possesses an Honours B.Sc. in Geology from McMaster University and an Environmental Biology Technology diploma from Canadore College. Mr. Christopher currently holds the position of Senior Vice President, Exploration, Projects & Technical Services at Teck. Mr. Christopher has been with Teck since the mid-1980's holding a number of positions within the company. He is also currently a member of the Board of Directors of the Prospectors and Developers Association of Canada where he holds the position of First Vice President.

William Fisher, P.Geo,
Non-Executive Director
Mr. Fisher graduated as a geologist in 1979 and has extensive industry experience which has included a number of residential posts in Africa, Australia, Europe and Canada in both exploration and mining positions. Under his leadership, Karmin Exploration discovered the Aripuanã base metal sulphide deposits in Brazil. From 1997 to 2001 Mr. Fisher was Vice President, Exploration for Boliden AB, a major European mining and smelting company where he was responsible for thirty five projects in nine countries. From 2001 to 2008, Bill led GlobeStar Mining Corp. from an exploration company to an emerging base metal producer in the Dominican Republic which developed and operated the Cerro de Maimon mine until it was sold to Perilya for USD 186 million. Mr. Fisher was also Chairman of Aurelian Resources which was acquired by Kinross in 2008 for USD 1.2 Billion after the discovery of the Fruta del Norte gold deposit in Ecuador. Mr. Fisher currently serves as Executive Chairman of Goldquest Mining Corp. (TSX: GCQ), independent director of Treasury Metals Inc. (TSX: TML) and Chairman of Rame Energy (AIM: RAME).

Key Advisers

Dr Philip Mackey P.Eng, PhD, FCIM
Senior Metallurgical Adviser
Dr Mackey is a consulting metallurgical engineer with over forty years' experience in non-ferrous metals processing with a particular focus on nickel and copper sulphide smelting and nickel laterite processing. He has worked for leading producers of nickel including Falconbridge and Xstrata and throughout his career he has been involved in a number of nickel sulphide projects and later on, nickel laterite projects at various stages of the development cycle. Dr Mackey's extensive experience has seen him take projects from the start-up stage, through the feasibility stages and into the processing and production of non-ferrous metals. Dr Mackey is a Member and Fellow of the Canadian Institute of Mining and Metallurgy as well as the Metals and Minerals Society USA. He has also authored or co-authored over 100 publications regarding metallurgy with a particular focus on nickel and copper.

Dr Nic Barcza P.Eng, PhD
Senior Pyrometallurgical Adviser
Dr. Nic Barcza, has a PhD in Metallurgical Engineering and is a registered Professional Engineer. Nic is an Executive Consultant to Mintek in South Africa. He was the Chairman of Mintek's wholly-owned subsidiary Mindev Pty (Ltd), until the end of 2005 and has served on a number of Boards such as Mogale Alloys (Pty) Ltd, a ferroalloy and stainless steel dust/alloy recycling operation near Johannesburg. He is a past-President and Honorary Life Fellow of the South African Institute of Mining and Metallurgy (SAIMM), chairman of the International Committee of INFACON, a Fellow of the South African Academy of Engineering and has served on several academic advisory Boards and the Council of Wits University. Nic has worked on several titaniferous magnetite projects and also advises and consults for several other companies in South Africa and abroad including Anfield Nickel Corp. (Canada) and Oriel Resources Ltd (UK) on nickel and chrome projects.

Directors' Report

The Directors present their Annual Report on the affairs of Horizonte Minerals Plc, together with the audited Financial Statements for the year ended 31 December 2018.

Principal activities
The principal activity of the Group and Company is the identification, acquisition, exploration and development of mineral projects. The main area of activity comprises the development of the Araguaia nickel project, located in Pará State in north-eastern Brazil.

Financial review
The Group recorded a loss for the year of £1,939,663 (2017: £1,667,156). The Group is currently involved in exploration and evaluation activities and not actively mining. As a result, the Group is not revenue generative.

In January 2018 the Group issued 60,587,500 shares at a price of CAD$0.06 (3.5p) raising gross cash proceeds of CAD$3,635,250, (£2.2m). This was the second tranche of a capital raise that was undertaken late in 2017 and was preceded by the issue of 200,000,000 shares at a price of 3.5p per share raising gross cash proceeds of £7,000,000 on 22 December 2017.

At 31 December 2018, the Group had cash and cash equivalents of £6,527,115 (2017: £9,403,825). The Directors have prepared cash flow forecasts for the 12 months from the date of signing of these Financial Statements. The Directors have formed a judgement at the time of approving the Financial Statements that there is a reasonable expectation that the Company and Group have adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements. Further details of the Directors' conclusions regarding going concern are detailed in note 2.4 to the Financial Statements.

The Directors do not recommend payment of a dividend (2017: £Nil).

Sustainability

Safety
Health and safety audit conducted by FAC consultants in 2018. No LTIs throughout 2018.

People
Strong and diverse owners team, including a good presence of local and female employees. In 2018, over 60% of our direct employees originated from the Pará State.

Social
The Company spent approximately R$80,000 on social investment projects in the region throughout 2018 and additionally provided in-kind support through employee volunteering.

Rehabilitation
In 2018 Horizonte built a greenhouse on site to commence local seedling production and rehabilitation of springs within the region close to the future Araguaia infrastructure.

Permits
Construction Licence granted in January 2019 for Araguaia.

People
As a Group, we understand the importance of our team in developing and growing the Company for the future. We aim to create an environment that will attract, retain and motivate people to maximise their potential.

Social and Environmental

In January of 2019, the award of the Construction Licence, Licença de Instalação ("LI") in Portuguese, was granted by SEMAS, the Brazilian Pará State Environmental Agency ("SEMAS") for Araguaia.

The granting of the LI provides Horizonte with the permits required to construct the Araguaia rotary kiln electric furnace ("RKEF") processing plant and associated infrastructure. The LI approval represents a major de-risking step for Araguaia, which is now fully permitted to commence construction.

In partnership with ERM consultants across Brazil, UK and Canada, as well as local Brazilian consulting groups; the Company conducted a range of studies over 2017-2018 to align with international banking standards, such as, the International Finance Corporation ("IFC") Environmental and Social Performance Standards and Equator Principles. The results of these studies were published in the Araguaia Feasibility Study in October 2018.

The sustainability team has also commenced baseline data collections at Vermelho and is commencing Vermelho along the permitting pathway.

Permitting

The Company took significant strides in de-risking the Araguaia Project in 2018 through licence approvals and construction permit requests, culminating in the award of the Construction Licence for Araguaia.

Multiple permits were granted/progressed in 2018, including:

- Approval of the Construction Licence ("LI") for Araguaia South plant and associated infrastructure;
- Approval of the water-use permit for extraction from Arraias River to enable full-scale operation at Araguaia;
- Approval of the water-use permit for water cooling dam at Araguaia;
- Approval of Operational Licence for exploration activities in Araguaia North for 4 years;
- Approval of Operational Licence for exploration activities in Vermelho for 2 years;
- Publication of Terms of Reference for Transmission Line Construction Licence and progress of environmental studies for the Transmission Line;
- Publication of Terms of Reference for Araguaia North environmental impact assessment. And progress of environmental studies for the Araguaia North deposit;
- Submission of fauna capture licence for the Araguaia North deposit;
- Request for Terms of Reference for the Vermelho project environmental impact assessment.

In 2019 the sustainability team will prioritise the progress of the Araguaia licence package, including approvals for the Transmission Line and water pipeline construction licences as well as submission of the environmental impact assessment for the Araguaia North deposit.

In addition to this, the team is commencing studies for the Vermelho project's environmental impact assessment.

Health and safety

Horizonte operates a comprehensive health and safety programme to ensure the wellness and security of its employees. We are proud to have operated throughout 2018 with no LTI incidents.

The Group operates with 6 "golden rules" aimed at mitigating the majority of health and safety risks. Annually, Horizonte management provides a detailed in-house review of the Company's health and safety programme hand in hand with all members of the Brazil site team.

A health and safety audit was conducted by FAC consultants in 2018. The audit evaluated the health and safety requirements applicable to Horizonte and the degree of adequacy of the Company against current legislation. A steps plan was generated, which sets out improvements to be developed by the company. An integrated Risk Management Program was created, which establishes the management actions of all the health and safety requirements of the Company and the necessary tools for implementation.

Additionally, in 2018, Ausenco consultants facilitated a HAZID workshop together with ERM and the Horizonte owners' team across multiple disciplines to rate and analyse potential risks for the future Araguaia mine. Results form part of the Araguaia Feasibility Study.

Directors' Report continued

Substantial shareholdings
The Directors are aware of the following substantial interests or holdings in 3% or more of the Company's ordinary called up share capital as at 28 March 2019.

Major shareholders	Number of shares	% of issued capital
Teck Resources Limited	210,207,179	14.5%
Canaccord Genuity Group	143,150,000	9.9%
JP Morgan	117,739,613	8.1%
Richard Griffiths	96,550,000	6.7%
Glencore	88,362,682	6.1%
Lombard Odier Asset Management	69,445,418	4.8%

Share capital
Changes in the share capital of the Company are set out in note 13 of the Financial Statements.

Directors and their interests
The names of the Directors of the Company at the date of this report are shown in the Statutory Information. Refer to note 23 for further details.

The Directors who served during the year, together with their directly beneficial interests in the shares of the Company as at 31 December 2018 are as follows:

	31 December 2018		31 December 2017	
Director	**Shares**	**Options**	Shares	Options
David Hall	**1,039,955**	**16,000,000**	1,039,955	12,000,000
Jeremy Martin	**2,028,908**	**28,500,000**	1,083,908	20,500,000
Owen Bavinton	**2,000,000**	**13,000,000**	2,000,000	9,500,000
Allan Walker	**705,479**	**13,900,000**	500,000	10,400,000
William Fisher	**1,975,000**	**13,000,000**	1,036,000	9,500,000
Alex Christopher	—		—	

None of the Directors exercised any share options during the year.

There has been no change in the interests set out above between 31 December 2018 and 28 March 2019.

Directors' statement as to disclosure of information to auditor
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Matters covered in the Business Review
The business review and review of KPIs are included in the Operations Review and Strategic Report.

Financial risk management
The Company is exposed through its operations to the following financial risks:
> Commodity price risk
> Foreign currency risk
> Credit risk
> Interest rate risk
> Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its area of operation, these along with managements policies surrounding risk management are included in note 3.

Events after the reporting date
The events after the reporting date are set out in note 29 to the Financial Statements.

Future developments
In 2019 the Group will be working towards securing the required project finance in order to construct and bring the Araguaia project into commercial production. In tandem it will be working towards advancing the evaluation of the recently acquired Vermelho deposit. It is expecting to undertake a Pre-Feasibility Study to asses development options for publication during 2019.

Directors and Officers Insurance
The Group provided Directors and Officers insurance for both the current and prior periods.

Annual General Meeting
The Notice of the Annual General Meeting of the Company and the Management Information Circular together with Management Discussion and Analysis as at 31 December 2018 will be distributed to shareholders together with the Annual Report. Full details of the business to be considered at that meeting can be found in the Notice.

Independent auditor
The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

BDO LLP has signified its willingness to continue in office as auditor.

By Order of the Board
Simon Retter
Company Secretary
28 March 2019

Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and in accordance with the rules of the Toronto Stock Exchange.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By Order of the Board
Simon James Retter
Company Secretary
28 March 2019

Corporate Governance Report

Corporate governance practices

The Board recognises the importance of sound corporate governance commensurate with the size of the Company and the interests of Shareholders. Horizonte has chosen to adhere to the Quoted Companies Alliance ("QCA") corporate governance code in order to follow good governance practice. It serves as a practical outcome-oriented approach to corporate governance for AIM quoted companies. The QCA code is applied to all aspects of Corporate governance including but not limited to the establishment of a coherent corporate strategy and business model in order to maximise shareholder value over the long term, regularly meeting with shareholders to ensure that expectations are met, focussing on additional stakeholders, including, suppliers and local populations in the jurisdictions which the group operates and a corporate culture which is based upon ethical value and behaviours. In the following paragraphs are explanations as to how the Company complies with the 10 principals set out in the combined code except for principal 1 which sets out how the business establishes a strategy and business model which promote long term value for shareholders, which is covered in the Strategy report on page 20.

The Board of Directors

As at 31 December 2018, the Board of Directors comprised six members: one Executive Director and five Non-Executive Directors including the Chairman, Mr David Hall. The Executive Director has a wealth of minerals exploration and development experience. Similarly, the Non-Executive Directors have extensive mineral and financial experience. Mr Owen Bavinton, Mr William Fisher and Mr Allan Walker are classified as Independent by the Toronto Stock Exchange.

Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. The Board of Directors has strong, relevant experience across the areas of mining, geology, exploration and banking. The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of mining and exploration. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.

Skills and knowledge have been gained through aggregated experience in mining and the wider sector and these are maintained through ongoing involvement and participation within the industry.

The Board of Horizonte is responsible for setting the vision and strategy for the Company to deliver value to the Company's shareholders by effectively putting in place its business model.

The roles and responsibility of the Chairman, CEO and other directors are laid out below:

Chairman:

The primary responsibility of the chairman is to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. The chair has adequate separation from the day-to-day business to be able to make independent decisions. Save in exceptional (and well justified and explained) circumstances, the chair should not also fulfil the role of chief executive.

CEO:

The Company's CEO is charged with the delivery of the business model within the strategy set by the Board. The CEO works with the chair and NEDs in an open and transparent way and keeps the chair and NEDs up-to-date with operational performance, risks and other issues to ensure that the business remains aligned with the strategy.

Non-executive directors:

The Company's NED'S participate in all board level decisions and play a particular role in the determination and articulation of strategy. The Company's NED's provide oversight and scrutiny of the performance of the executive directors, whilst both constructively challenging and inspiring them, thereby ensuring the business develops, communicates and executes the agreed strategy and operates within the risk management framework.

Board meetings

The Board ordinarily meets approximately on a quarterly basis and as and when further required, providing effective leadership and overall management of the Company's affairs by reference to those matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner, prior to the Board meetings. The Board delegates certain aspects of its responsibilities to the Board committees which have terms of reference as listed below.

Evaluating Board performance

Evaluation of the performance of the Company's Board has historically been implemented in an informal manner. From the beginning of 2018 however, the Board formally reviews and considers the performance of each director at or around the time of publication of the Company's annual report. The remuneration is determined in accordance with the Articles of Association. When determining executive director remuneration policy and practices, the Company's remuneration committee addresses the following:

> Clarity — remuneration arrangement is transparent and promotes effective engagement with shareholders and the workforce;
> Simplicity — remuneration structures avoid complexity and their rationale and operation are easy to understand;
> Risk — remuneration arrangements ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
> Proportionality — the link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes do not reward poor performance;
> Alignment to culture — incentive schemes drive behaviours consistent with company purpose, values and strategy.

On an ongoing basis, Board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current Board members.

Remuneration and audit committees

The remuneration committee comprises David Hall, William Fisher and Allan Walker and is responsible for reviewing the performance of the Executive Director and senior management and for setting the framework and broad policy for the scale and structure of their remuneration, taking into account all factors which it shall deem necessary. The remuneration committee also recommends the allocation of share options for the Board to approve and is responsible for setting up any performance criteria in relation to the exercise of options granted under any share options schemes adopted by the Group.

The audit committee, comprising Owen Bavinton, David Hall, William Fisher and Allan Walker, has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to the Group's accounting and internal controls.

Internal controls

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future developments of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk management

The Board considers risk assessment to be important in achieving its strategic objectives. The Board's current assessment of the principle risks are set out in the Strategic Report and are monitored by the Board at their meetings.

Securities trading

The Group has adopted a share dealing code for dealings in shares by Directors and senior employees which is appropriate for an AIM and TSX listed company. The Directors comply with relevant AIM and TSX rules relating to Directors' dealings and take reasonable steps to ensure compliance by the Group's applicable employees.

Relations with shareholders

The Board is committed to providing effective communication with the shareholders of the Group. Significant developments are disseminated through stock exchange announcements and regular updates on the Company website. The Board views the Annual General Meeting as a forum for communication between the Group and its shareholders and encourages their participation in its agenda. As part of the Group's AGM Horizonte releases the results of the votes in a transparent fashion to all of the Group's stakeholders.
In the occurrence where a significant proportion of votes (i.e. 20% and above) have been cast against a resolution at a general meeting, The Group will include an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result.

Corporate Culture

The Board believes that the promotion of corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. Horizonte's company culture is consistent with the Group's objectives, strategy and business model and is consistent with the Group's objectives, strategy and business model. The Board regularly meets and monitors the business and its stakeholders to ensure the values and strategy, and satisfy itself that these and its culture are aligned. The Group's directors act with integrity, lead by example and promote the desired culture.

Attendance at meetings during 2018

In carrying out its mandate, the Board met eight times during the year ended 31 December 2018. The following table sets out attendance by the directors of the Group during those eight meetings of the Board:

Board Meeting Date	David Hall	Jeremy Martin	Allan Walker	Alex Christopher	Owen Bavinton	William Fisher
	Present					
30 January 2018	Yes	Yes	Yes	Yes	Yes	Yes
7 March 2018	Yes	Yes	Yes	Yes	Yes	Yes
8 May 2018	Yes	Yes	Yes	Yes	Yes	Yes
16 May 2018 (AGM)	Yes	Yes	Yes	No	Yes	Yes
7 August 2018	Yes	Yes	Yes	Yes	Yes	Yes
18 October 2018	Yes	Yes	Yes	Yes	Yes	Yes
7 November 2018	Yes	Yes	Yes	Yes	Yes	Yes
13 December 2018	Yes	Yes	Yes	No	Yes	Yes

The audit committee met twice during the year to consider the Audit planning report and Audit completion report presented by the auditors regarding the year end audit process. The year end audit findings were focussed on the key areas identified during the planning process, the main items being:

> Internal controls and management override
> Carrying value and impairment of intangible exploration and evaluation assets
> Assessment and recognition of contingent consideration
> Going concern

The audit committee were in agreement with all the findings and recommendations.
The remuneration committee met twice during the year to consider the remuneration levels of the board and key officers of the company, to consider and approve the basis of the long term incentive plan and to consider and award options to key members of the team.

Independent Auditor's Report to the Members of Horizonte Minerals Plc

Opinion

We have audited the financial statements of Horizonte Minerals plc (the "parent company") and its subsidiaries ("the group") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

> the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
> the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
> the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2.1 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB").

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to the disclosures made in note 2.4 to the financial statements concerning the group and parent company's ability to continue as a going concern. The note explains that the group will need to raise further funds in the next twelve months in order to continue to operate and meet its liabilities as they fall due. These conditions indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter. We have performed the following work as part of our audit:

We critically challenged the directors' forecasts to assess the group and parent company's ability to meet their financial obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements and assessed and corroborated the key underlying assumptions, Including:

> Assessing the reasonableness of forecast expenditure by reference to actual expenditures in 2018, the directors' planned activities and the requirement to make a contractual payment of $1,850,000 in December 2019 for deferred consideration relating to the acquisition of the Vermelho asset.
> Discussing with directors' whether there are any other matters that may adversely impact upon their assessment of going concern.
> Understanding the directors' expectations regarding further fund raisings.

We reviewed the adequacy of the disclosures in the financial statements in respect of the material uncertainty.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of intangible assets and loans to subsidiaries

Key Audit Matter	See notes 4.1,10 and 25 for disclosures in respect of intangible assets and loans to subsidiaries. As detailed in note 2.5b, the group's intangible assets represent the legal rights to explore for minerals together with the expenditure incurred in its exploration and evaluation of the mineral assets. As detailed in note 25 the loans to subsidiary companies represent the funding provided by the parent company to its Brazilian subsidiaries to use over the course of the exploration stage and is the main source of funding for the costs capitalised under intangible assets. Each year the directors are required to assess whether there has been any indication that the intangible assets may be impaired. The directors have carried out a review for indicators of impairment and have not identified any such indicators. The introduction of IFRS 9 – Financial Instruments, for the year ended 31 December 2018 has required Management to make judgements in terms of the expected credit losses (impairment) attached to the loans to subsidiaries of £48.6m (2017:£48.9m) as well as their classification in the financial statements. Reviewing indicators of impairment and assessment of carrying values often require significant estimates and judgements and therefore we identified this as a key audit matter.
Audit Response	Our audit work included, but was not restricted to the following: We considered the directors' assessment of the indicators of impairment (in accordance with accounting standards) and we confirmed that there is an ongoing plan to develop the licence areas. For Araguaia, which is carried on the balance sheet at 31 December 2018 at £34.2m this assessment is supported by the externally prepared feasibility study published in October 2018, which indicates a post-tax net present value of £401m at a discount rate of 8%, and an internal rate of return (IRR) of approximately 20.1%. We have assessed the reasonableness of the 8% discount rate against third party comparators and re performed the calculation of the discount rate using source data. For the Vermelho project, which is carried on the balance sheet at 31 December 2018 at £1.3m we reviewed the updated resource statement for the project that has been prepared by the Group and obtained an understanding of the directors' intentions to progress exploration and evaluation work on the project during 2019. We reviewed the correspondence, contracts and other documents regarding the licenses to confirm that the group has the relevant contractual rights for exploration in the stated areas for Araguaia and Vermelho. We also agreed the validity of licences held by the group to the Brazilian Government's DNPM website. We considered whether there were any additional matters requiring consideration when assessing the carrying value of the parent company's loan to subsidiaries, in light of our knowledge and understanding of the business. We reviewed the director's assessment of the carrying value of intercompany loans and the terms of all intercompany loans, to check that they have been accounted for in accordance with those terms. We assessed the key judgements made relating to the expected credit loss adjustment and the evidence available to support these judgements. This included assessments of both value through development and sale. We evaluated the adequacy of the disclosures in respect of the assessment of impairment indicators for the recorded intangible assets and the expected credit loss adjustment for the loans to subsidiary companies.

Independent Auditor's Report to the Members of Horizonte Minerals Plc Continued

Valuation of Contingent Consideration

Key Audit Matter	In prior years, the group acquired assets and licences relating to the Araguaia Nickel and Glencore Araguaia projects and the acquisition gave rise to contingent consideration. In early 2018 the group also completed its acquisition of the Vermelho project from Vale S.A. which included mineral rights for a new area separate from its current holdings. Details of this contingent consideration and the related critical judgements and estimates are disclosed in notes 17 and 4.2 The assessment of the contingent consideration payable requires management to make judgements and estimates in respect of a significant number of factors which influence the anticipated timing and value of cash flows arising from the Araguaia and Vermelho nickel projects, which in turn impact on the assessment of the estimated consideration payable. The directors are also required to reassess and adjust the contingent consideration payable for any changes in the accounting estimates as new information and events arises.
Audit Response	Our audit work included, but was not restricted to the following: We have reviewed the terms and conditions of the acquisition agreements relating to the contingent consideration amounts payable and checked that the calculation of contingent considerations is in accordance with them. We have reviewed the contingent consideration calculations and key judgements and estimates made by management supporting these calculations. We have challenged the judgements and estimates, referring to supporting documentation and considered the sensitivity of the calculations to changes in the judgements and estimates. We have also checked the accounting adjustments for any change in estimates, foreign exchange retranslation and the unwinding of the discount factor. We have evaluated the adequacy of the disclosures of contingent consideration to ensure that they have adequately explain the key judgements and estimates made by the directors.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our basis for the determination of materiality has remained unchanged from prior year. We consider total assets to be the most significant determinant of the group's financial performance as the group is engaged in mineral exploration and evaluation activities and the principal focus of the users is likely to be the gross assets of the group. The benchmark percentage for calculating materiality has also remained unchanged from the prior year at 1.5%.

Whilst materiality for the financial statements as a whole was £630,000 (2017:£570,000), each significant component of the group was audited to a lower level of materiality. The Parent Company's materiality was set at £488,000 (2017:£456,000) and the materialities of the subsidiary components ranged from £488,000 to £61,000 (2017:£456,000 to £57,000). These materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.
Performance materiality was set at 75% (2017: 75%) of the above materiality levels.
We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £30,500 (2016: £28,500). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

No revisions were made to materiality levels during the course of the audit.

An overview of the scope of our audit
Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

Whilst Horizonte Minerals Plc is a company registered in England & Wales and its head office is located in the UK the group's principal operations are located in Brazil. In approaching the audit, we considered how the group is organised and managed. We assessed the activities of the group as being two nickel projects, Araguaia and Vermehlo and primarily comprising a number of Brazilian subsidiary entities each holding capitalised exploration and evaluation costs and exploration licences and permits. The parent company was subject to a full scope audit.

The group audit team performed audit work in respect of the assessed risks. One subsidiary was assessed as significant due to size and risk and three subsidiaries were classified as significant due to specific risks. The group audit engagement team also engaged BDO's network firm in Brazil to carry out specific audit procedures for these subsidiaries in respect of certain of the assessed risks.

The remaining non-significant subsidiaries of the group were principally subject to analytical review procedures.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
> the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
> the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in which the Companies Act 2006 requires us to report to you if, in our opinion:
> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
> the parent company financial statements are not in agreement with the accounting records and returns; or
> certain disclosures of directors' remuneration specified by law are not made; or
> we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Horizonte Minerals Plc Continued

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Barnsdall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 March 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	**Year ended 31 December 2018 £**	Year ended 31 December 2017 £
Administrative expenses		**(1,336,093)**	(1,093,132)
Charge for share options granted		**(837,172)**	(678,652)
Changes in estimate for contingent and deferred consideration	17	**139,392**	621,545
Gain/(Loss) on foreign exchange		**186,206**	(299,834)
Operating loss	6	**(1,847,667)**	(1,450,073)
Finance income	8	**89,446**	15,854
Finance costs	8	**(181,442)**	(232,937)
Loss before taxation		**(1,939,663)**	(1,667,156)
Income tax	9	**—**	—
Loss for the year from continuing operations attributable to owners of the parent		**(1,939,663)**	(1,667,156)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences on translating foreign operations	16	**(3,028,006)**	(3,479,050)
Other comprehensive income for the year, net of tax		**(3,028,006)**	(3,479,050)
Total comprehensive income for the year attributable to owners of the parent		**(4,967,669)**	(5,146,206)
Profit/(Loss) per share from continuing operations attributable to owners of the parent			
Basic and diluted (pence per share)	19	**(0.136)**	(0.142)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

Company number: 05676866
As at 31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
Assets			
Non-current assets			
Intangible assets	10	**35,737,902**	34,308,278
Property, plant & equipment		**1,186**	2,051
		35,739,088	34,310,329
Current assets			
Trade and other receivables		**24,243**	153,105
Cash and cash equivalents	12	**6,527,115**	9,403,825
		6,551,358	9,556,930
Total assets		**42,290,446**	43,867,259
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	13	**14,325,218**	13,719,343
Share premium	14	**41,664,018**	40,422,258
Other reserves	16	**(2,039,991)**	988,015
Retained losses		**(16,990,290)**	(15,887,801)
Total equity		**36,958,955**	39,241,815
Liabilities			
Non-current liabilities			
Contingent consideration	17	**3,461,833**	3,635,955
Deferred tax liabilities	9	**228,691**	253,205
		3,690,524	3,889,160
Current liabilities			
Trade and other payables	17	**280,175**	736,284
Deferred Consideration	17	**1,360,792**	-
		1,640,967	736,284
Total liabilities		**5,331,491**	4,625,444
Total equity and liabilities		**42,290,446**	43,867,259

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

The Financial Statements were authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Company Statement of Financial Position

Company number: 05676866
As at 31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
Non-Current Assets			
Property, plant & equipment	11	—	—
Investment in subsidiaries	24	**2,348,042**	2,348,042
Loans to Subsidiaries	25	**49,478,251**	48,890,013
		51,826,293	51,238,055
Current assets			
Trade and other receivables		**19,388**	41,773
Cash and cash equivalents	12	**5,487,339**	9,238,827
		5,506,727	9,280,600
Total assets		**57,333,020**	60,518,655
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital	13	**14,325,218**	13,719,343
Share premium	14	**41,664,018**	40,422,258
Merger reserve	16	**10,888,760**	10,888,760
Retained losses		**(14,852,732)**	(8,960,902)
Total equity		**52,025,264**	56,069,459
Liabilities			
Non-current liabilities			
Contingent consideration	17	**3,461,833**	3,635,955
		3,461,833	3,635,955
Current liabilities			
Trade and other payables	17	**485,131**	813,241
Deferred Consideration	17	**1,360,792**	—
		1,845,923	813,241
Total liabilities		**5,307,756**	4,449,196
Total equity and liabilities		**57,333,020**	60,518,655

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes, loss for the period was £1,782,260 (2017:£ 275,945). As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Parent Company is not presented as part of these Financial Statements.

The Financial Statements were authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the parent				
	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
Consolidated					
As at 1 January 2017	**11,719,343**	**35,767,344**	**(14,899,297)**	**4,467,064**	**37,054,454**
Loss for the year	—	—	(1,667,156)	—	(1,667,156)
Other comprehensive income:					
Currency translation differences on translating foreign operations	—	—	—	(3,479,050)	(3,479,050)
Total comprehensive income for the year	—	—	**(1,667,156)**	**(3,479,050)**	**(5,146,206)**
Issue of ordinary shares	2,000,000	5,000,000	—	—	7,000,000
Issue costs	—	(345,086)	—	—	(345,086)
Share-based payments	—	—	678,652	—	678,652
Total transactions with owners, recognised directly in equity	**2,000,000**	**4,654,914**	**678,652**	—	**7,333,566**
As at 31 December 2017	**13,719,343**	**40,422,258**	**(15,887,801)**	**988,015**	**39,241,815**
Loss for the year	—	—	(1,939,663)	—	(1,939,663)
Other comprehensive income:					
Currency translation differences on translating foreign operations	—	—	—	(3,028,006)	(3,028,006)
Total comprehensive income for the year	—	—	**(1,939,663)**	**(3,028,006)**	**(4,967,669)**
Issue of ordinary shares	605,875	1,451,724	—	—	2,057,599
Issue costs	—	(209,964)	—	—	(209,964)
Share-based payments	—	—	837,172	—	837,172
Total transactions with owners, recognised directly in equity	**605,875**	**1,241,760**	**837,172**	—	**2,684,807**
As at 31 December 2018	**14,325,218**	**41,664,018**	**(16,990,290)**	**(2,039,991)**	**36,958,955**

A breakdown of other reserves is provided in note 16.

	Attributable to equity shareholders				
	Share capital £	Share premium £	Retained losses £	Merger reserves £	Total £
Company					
As at 1 January 2017	11,719,343	35,767,344	(9,915,498)	10,888,760	48,459,949
Profit and total comprehensive income for the year	—	—	275,945	—	275,945
Issue of ordinary shares	2,000,000	5,000,000	—	—	7,000,000
Issue costs	—	(345,086)	—	—	(345,086)
Share-based payments	—	—	678,652	—	678,652
Total transactions with owners, recognised directly in equity	2,000,000	4,654,914	678,652	—	7,333,566
As at 31 December 2017 (previously stated)	**13,719,343**	**40,422,258**	**(8,960,901)**	**10,888,760**	**56,069,460**
Changes in Accounting policy- IFRS 9	—	—	(4,946,743)	—	(4,946,743)
As at 1 January 2018	**13,719,343**	**40,422,258**	**(13,907,644)**	**10,888,760**	**(51,122,717)**
Loss and total comprehensive loss for the year	—	—	(1,782,260)	—	(1,782,260)
Issue of ordinary shares	605,875	1,451,724	—	—	2,057,599
Issue costs	—	(209,964)	—	—	(209,964)
Share-based payments	—	—	837,172	—	837,172
Total transactions with owners, recognised directly in equity	**605,875**	**1,241,760**	**837,172**	—	**2,684,807**
As at 31 December 2018	**14,325,218**	**41,664,018**	**(14,852,732)**	**10,888,760**	**52,025,264**

A breakdown of the Changes in Accounting policy-IFRS 9 adjustment is provided in note 25.

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
Cash flows from operating activities			
Loss before taxation		**(1,939,663)**	(1,667,156)
Finance income		**(89,446)**	(15,854)
Finance costs		**181,442**	232,937
Charge for share options granted		**837,172**	678,652
Exchange differences		**(313,049)**	(117,606)
Change in fair value of contingent consideration		**(139,392)**	(621,545)
Depreciation		**—**	283
Operating loss before changes in working capital		**(1,462,136)**	(1,510,298)
Decrease/(increase) in trade and other receivables		**128,862**	(117,612)
Increase/(decrease) in trade and other payables		**(456,109)**	344,298
Net cash used in operating activities		**(1,790,183)**	(1,283,612)
Cash flows from investing activities			
Purchase of exploration and evaluation assets		**(3,221,062)**	(5,102,852)
Purchase of property, plant and equipment		**—**	(2,236)
Interest received		**89,446**	15,854
Net cash used in investing activities		**(3,131,616)**	(5,089,234)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2,057,599**	7,000,000
Issue costs		**(209,965)**	(241,276)
Net cash generated from financing activities		**1,847,634**	6,758,724
Net increase/(decrease) in cash and cash equivalents		**(3,074,164)**	385,878
Cash and cash equivalents at beginning of year		**9,403,825**	9,317,781
Exchange gain/(loss) on cash and cash equivalents		**197,454**	(299,834)
Cash and cash equivalents at end of the year	12	**6,527,115**	9,403,825

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Company Statement of Cash Flows

For year ended 31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
Cash flows from operating activities			
Loss before taxation		**(1,782,260)**	275,945
IFRS 9 Expected credit loss		**1,939,745**	
Finance income		**(74,909)**	(13,882)
Finance costs		**181,442**	232,937
Charge for share options granted		**837,172**	678,652
Exchange differences		**(40,661)**	(255,717)
Change in fair value of contingent consideration		**(139,392)**	(621,545)
Depreciation		**—**	283
Operating profit before changes in working capital		**921,137**	296,673
Decrease/(increase) in trade and other receivables		**22,446**	(6,351)
(Decrease)/increase in trade and other payables		**(328,111)**	66,186
Net cash flows generated from operating activities		**(615,472)**	356,508
Cash flows from investing activities			
Loans to subsidiary undertakings		**(6,475,397)**	(6,821,063)
Interest received		**74,909**	13,881
Net cash used in investing activities		**(6,400,488)**	(6,807,182)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2,057,599**	7,000,000
Issue costs		**(209,965)**	(241,276)
Net cash generated from financing activities		**1,847,634**	6,758,724
Net increase/(decrease) in cash and cash equivalents		**(3,937,382)**	308,050
Exchange gain/(loss) on cash and cash equivalents		**185,954**	(213,215)
Cash and cash equivalents at beginning of year		**9,238,827**	9,143,993
Cash and cash equivalents at end of the year	12	**5,487,399**	**9,238,827**

The above Company Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1 General information
The principal activity of Horizonte Minerals Plc ("the Company") and its subsidiaries (together "the Group") is the exploration and development of base metals. The Company's shares are listed on the AIM market of the London Stock Exchange and on the Toronto Stock Exchange. The Company is incorporated and domiciled in England and Wales. The address of its registered office is Rex House, 4-12 Regents Street, London, SW1Y 4RG.

2 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation
These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS interpretations Committee ("IFRS IC") interpretations as adopted by the European Union ("EU") and with IFRS and their Interpretations issued by the IASB. The consolidated financial statements have also been prepared in accordance with and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of share based payment charges which are assessed annually.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group
IFRS 9 "Financial Instruments" has replaced IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39), and has had a significant effect on the Group in the following areas:

The group applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (trade receivables and loans due from related parties). This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the group considered the probability of a default occurring over the life of its loans and asset balances on initial recognition of those assets. Under the existing incurred loss model, no historical loss rate has typically been recognised. Under the new model an impairment loss of £6,886,488 has been recognised in the Company in respect of intercompany loans. See note 25 for a discussion on the adjustment passed concerning the impairment loss.

The group has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, these changes have been processed at the date of initial application (i.e. 1 January 2018), and presented in the statement of changes in equity.

IFRS 15 "Revenue from Contracts with Customers" does not have a material impact on the Group at this stage of the Group's operations as the group is not generating any revenue.

b) New and amended standards, and interpretations issued but not yet effective for the financial year beginning 1 January 2018 and not early adopted

Standards effective in future periods
Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the group's activities and are mandatory for the group in accounting periods beginning after 1 January 2019 or later periods, and which the group has decided not to adopt early.

These include:

New Standards		Effective period commencing on or after
IFRS 16	Leases	1 Jan 2019
IFRS 17	Insurance contracts	1 Jan 2021

Amendments to existing standards

IFRIC 23	IFRIC 23 Uncertainty over Income Tax Treatments	1 Jan 2019
IFRS 9	Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 Jan 2019
IAS 28	Amendments to IAS 28: Long-term interests in Associates and Joint Ventures1	1 Jan 2019
	Annual Improvements to IFRSs (2015-2017 Cycle)	1 Jan 2019
IAS 19	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 Jan 2019
	Amendments to References to the Conceptual Framework in IFRS Standards	1 Jan 2020
IFRS 3	Amendments to IFRS 3 Business Combinations — Definition of a Business	1 Jan 2020
	Definition of Material — Amendments to IAS 1 and IAS 8	1 Jan 2020

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 16 "Leases" does not have a material impact on the Group at this stage of the Group's operations. The only leases that it holds relate to a short-term lease held for office space in both the United Kingdom and its office in Brazil. These total approximately £80,000 per year and are renewed for a maximum of 12 months at a time.

2.3 Basis of consolidation and business acquisitions

Horizonte Minerals Plc was incorporated on 16 January 2006. On 23 March 2006 Horizonte Minerals Plc acquired the entire issued share capital of Horizonte Exploration Limited (HEL) by way of a share for share exchange. The transaction was treated as a group reconstruction and was accounted for using the merger accounting method as the entities were under common control before and after the acquisition.

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
> The contractual arrangement with the other vote holders of the investee.
> Rights arising from other contractual arrangements.
> The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Other than for the acquisition of HEL as noted above, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred unless they result from the issuance of shares, in which case they are offset against the premium on those shares within equity.

If an acquisition is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IFRS9 either in profit or loss or as a change in other comprehensive income. The unwinding of the discount on contingent consideration liabilities is recognised as a finance charge within profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment.
The following 100% owned subsidiaries have been included within the consolidated Financial Statements:

Subsidiary undertaking	Held	Registered Address	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Directly	Rex House, 4-12 Regents Street, London SW1Y 4RG	England	Mineral Exploration
Horizonte Minerals (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Holding company
HM Brazil (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Holding company
Cluny (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Holding company
Champol (IOM) ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Holding company
Horizonte Nickel (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Holding company
HM do Brasil Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Araguaia Niquel Metias Ltda	Indirectly	CNPJ 97.515.035/0001-03 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Lontra Empreendimentos e Participações Ltda	Indirectly	CNPJ 11.928.960/0001-32 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Typhon Brasil Mineração Ltda	Indirectly	CNPJ 23.282.640/0001-37 com sede Alameda Ezequiel Dias, n. 427, 2° andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110.	Brazil	Mineral Exploration
Trias Brasil Mineração Ltda	Indirectly	CNPJ 23.282.280/0001-73 com sede na Alameda Ezequiel Dias, n. 427, 2° andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110	Brazil	Mineral Exploration

2.3 (b) Subsidiaries and Acquisitions
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where an investor is expected, or has rights, to variable returns from its investment with the investee, and has the ability to affect these returns through its power over the investee. Based on the circumstances of the acquisition an assessment will be made as to whether the acquisition represents an acquisition of an asset or the acquisition of asset. In the event of a business acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as a "fair value" adjustment.

If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. In the event of an asset acquisition assets and liabilities are assigned a carrying amount based on relative fair value.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Contingent consideration as a result of business acquisitions is included in cost at its acquisition date assessed value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through the profit and loss.

2.4 Going concern

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 and 5; in addition note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Group's assets are not generating revenues and an operating loss has been reported for the year. The Group is expected to remain loss making until it enters into production, which is conditional upon sufficient funding being obtained by the company in order to enter into commercial production at one of its projects. The Directors have reviewed cash flow forecasts for the period to the end of 2020 and believe that the Group will need to raise further funds in the next twelve months for corporate overheads and committed project acquisition costs, which include consideration of $1,850,000 payable in December 2019 for the acquisition of Vermelho.

The Directors have a reasonable expectation that the Group has the ability to raise additional funds required in order to continue in operational existence for the foreseeable future and they therefore continue to adopt the going concern basis of accounting in preparing these Financial Statements. However, given the uncertainty surrounding the ability and likely timing of securing such investment finance the Directors are of the opinion that there exists a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Parent Company were unable to continue as a going concern.

2.5 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Exploration and evaluation assets

The Group capitalises expenditure in relation to exploration and evaluation of mineral assets when the legal rights are obtained and are initially valued and subsequently carried at cost less any subsequent impairment. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets arising on business combinations are included at their acquisition-date fair value in accordance with IFRS 3 (revised) "Business combinations". Other exploration and evaluation assets and all subsequent expenditure on assets acquired as part of a business combination are recorded and held at cost.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

Impairment reviews for deferred exploration and evaluation expenditure are carried out on a project by project basis, with each project representing a potential single cash generating unit. In accordance with the requirements of IFRS 6, an impairment review is undertaken when indicators of impairment arise such as:

(i) unexpected geological occurrences that render the resource uneconomic;
(ii) title to the asset is compromised;
(iii) variations in mineral prices that render the project uneconomic;
(iv) substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned; and
(v) the period for which the Group has the right to explore has expired and is not expected to be renewed.

See note 2.7 for impairment review process if impairment indicators are identified.

Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss. Whenever a commercial discovery is the direct result of the exploration and evaluation assets, upon the decision to proceed with development of the asset and initial funding arrangements are in place the costs shall be transferred to tangible assets.

(c) Acquisitions of Mineral Exploration Licences
Acquisitions of Mineral Exploration Licences through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset and recognised at the fair value of the consideration. Related future consideration if contingent is recognised if it is considered that it is probable that it will be paid.

(d) Restoration, Rehabilitation and Environmental Provisions
Management uses its judgement and experience to provide for and amortise the estimated mine closure and site rehabilitation over the life of the mine. Provisions are discounted at a risk-free rate and cost base inflated at an appropriate rate. The ultimate closure and site rehabilitation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements or the emergence of new restoration techniques. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Currently there is no provision as all restoration and rehabilitation for exploration activities undertaken to date in line with the agreements for access to land. Once construction and mining operations commence however this is anticipated to become more significant.

2.6 Property, plant and equipment
All property, plant and equipment is stated at historic cost less accumulated depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged on a straight-line basis so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	25%
Vehicles and other field equipment	25% – 33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

2.7 Impairment of non-financial assets
Assets that have an indefinite useful life, such as goodwill are not subject to amortisation and are tested annually for impairment. Exploration assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Foreign currency translation
(a) Functional and presentation currency
Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the UK and Isle of Man entities is Pounds Sterling and the functional currency of the Brazilian entities is Brazilian Real. The Consolidated Financial Statements are presented in Pounds Sterling, rounded to the nearest pound, which is the Company's functional and Group's presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
2. each component of profit or loss is translated at average exchange rates during the accounting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
3. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and retranslated at the end of each reporting period.

2.9 Financial instruments

Financial instruments are measured as set out below. Financial instruments carried on the statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables and loans to group companies.

Financial instruments are initially recognised at fair value when the group becomes a party to their contractual arrangements. Transaction costs directly attributable to the instrument's acquisition or issue are included in the initial measurement of financial assets and financial liabilities, except financial instruments classified as at fair value through profit or loss ("FVTPL"). The subsequent measurement of financial instruments is dealt with below.

Financial assets

On initial recognition, a financial asset is classified as:

> Amortised cost;
> Fair value through other comprehensive income ("FVTOCI") — equity instruments; or
> FVTPL.

The group does not currently have any financial assets classified as FVTOCI or FVTPL.

Amortised cost

Financial assets that arise principally from assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains or losses, together with foreign exchange gains or losses. Impairment losses are presented as separate line item in the statement of profit or loss. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains or losses in the period in which it arises. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in profit or loss.

Financial assets at amortised cost consist of trade receivables and other receivables (excluding taxes), cash and cash equivalents, and related party intercompany loans

Impairment provisions for receivables and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with a maturity

of three months or less at the date of purchase and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

Financial liabilities
The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss
The group does not currently have any financial liabilities carried at Fair value through Profit and loss.

Other financial liabilities
Accounts payable and other short term monetary liabilities, are initially recognised at fair value, which equates to the transaction price, and subsequently carried at amortised cost using the effective interest method.

2.10 Taxation
The tax credit or expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The charge for current tax is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are not discounted.

2.11 Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Operating leases
Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the Income Statement on a straight-line basis over the period of the respective leases.

2.14 Share-based payments and incentives

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of employee services received in exchange for the grant of share options are recognised as an expense. The total expense to be apportioned over the vesting period is determined by reference to the fair value of the options granted:

> including any market performance conditions;
> excluding the impact of any service and non-market performance vesting conditions; and
> including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period the Group revises its estimate of the number of options that are expected to vest.

It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The fair value of goods or services received in exchange for shares is recognised as an expense.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, the Company's chief operating decision-maker ("CODM").

2.16 Finance income

Interest income is recognised using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.

2.17 Provisions and Contingent Liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Contingent liabilities are potential obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events that, however, are beyond the control of the Group. Furthermore, present obligations may constitute contingent liabilities if it is not probable that an outflow of resources will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

The company has contingent consideration arising in respect of mineral asset acquisitions.

Trade and other payables

Accounts payable and other short term monetary liabilities, are initially recognised at fair value, which equates to the transaction price, and subsequently carried at amortised cost using the effective interest method.

3 Financial risk management

The Group is exposed through its operations to the following financial risks:

> Credit risk
> Interest rate risk
> Foreign exchange risk
> Other market price risk, and
> Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

> Trade and other receivables
> Cash and cash equivalents
> Trade and other payables

3.1 Financial risk factors

The main financial risks to which the Group's activities are exposed are liquidity and fluctuations on foreign currency. The Group's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors under policies approved at the quarterly Board meetings. The Board frequently discusses principles for overall risk management including policies for specific areas such as foreign exchange.

(a) Liquidity risks

In keeping with similar sized mineral exploration groups, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Group monitors its cash and future funding requirements through the use of cash flow forecasts.

All cash, with the exception of that required for immediate working capital requirements, is held on short-term deposit.

(b) Foreign currency risks

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Brazilian Real, US Dollar and the Pound Sterling.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a foreign currency. The Group holds a proportion of its cash in US Dollars and Brazilian Reals to hedge its exposure to foreign currency fluctuations and recognises the profits and losses resulting from currency fluctuations as and when they arise. The volume of transactions is not deemed sufficient to enter into forward contracts.

At 31 December 2018, if the Brazilian Real had weakened/strengthened by 20% against Pound Sterling with all other variables held constant, post tax loss for the year would have been approximately £45,059 lower/higher mainly as a result of foreign exchange losses/gains on translation of Brazilian Real expenditure and denominated bank balances. If the USD:GBP rate had increased by 5% the effect would be £34,024. As of 31 December 2018 the Group's net exposure to foreign exchange risk was as follows:

	Functional Currency					
	GBP 2018	GBP 2017	BRL 2018	BRL 2017	Total 2018	Total 2017
Currency of net	£	£	£	£	£	£
Financial assets/liabilities						
GBP	**5,345,884**	8,026,182	—	—	**5,345,884**	8,026,182
USD	**(4,928,732)**	(3,426,561)	—	111,261	**(4,928,732)**	(3,315,299)
BRL	—	—	**768,958**	(58,367)	**768,958**	(58,367)
CAD	**88,326**	706,298	—	—	**88,326**	706,298
Total net exposure	**505,478**	5,305,919	768,958	52,894	1,274,435	5,358,814

(c) Interest rate risk

As the Group has no borrowings, it is not exposed to interest rate risk on financial liabilities. The Group's interest rate risk arises from its cash held on short-term deposit for which the Directors use a mixture of fixed and variable rate deposits. As a result, fluctuations in interest rates are not expected to have a significant impact on profit or loss or equity.

(d) Price risk

Given the size and stage of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

(e) Credit risk

Credit risk arises from cash and cash equivalents and outstanding receivables. The Group maintains cash and short-term deposits with a variety of credit worthy financial institutions and considers the credit ratings of these institutions before investing in order to mitigate against the associated credit risk.

The Company's exposure to credit risk amounted to £54,106,065 (2017: £58,128,840). Of this amount £48,618,726 (2017: £48,890,013) is due from subsidiary companies, £5,487,339 represents cash holdings (2017: £9,238,827). See note 25 for adjustments for provisions for expected credit losses.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and to enable the Group to continue its exploration and evaluation activities. The Group has no debt at 31 December 2018 and defines capital based on the total equity of the Group. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

As indicated above, the Group holds cash reserves on deposit at several banks and in different currencies until they are required and in order to match where possible with the corresponding liabilities in that currency.

3.3 Fair value estimation

The carrying values of trade receivables and payables are assumed to be approximate to their fair values, due to their short-term nature. The value of contingent consideration is estimated by discounting the future expected contractual cash flows at the Group's current cost of capital of 7% based on the interest rate available to the Group for a similar financial instrument.

4 Critical accounting estimates and judgements

The preparation of the Financial Statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such judgements and estimates include, but are not limited to:

Estimates

Company – Application of the expected credit loss model prescribed by IFRS 9

The new standard IFRS 9 requires the Parent company to make assumptions when implementing the forward-looking expected credit loss model. This model is required to be used to assess the intercompany loan receivables from the company's Brazilian subsidiaries for impairment.

Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. The following was considered; the exploration project risk for Vermelho, positive NPV of the Araguaia projects as demonstrated by the Feasibility Study, ability to raise the finance to develop the projects, ability to sell the projects, market and technical risks relating to the project, participation of the subsidiaries in the Araguaia projects. See note 25 for a discussion on the adjustment passed concerning the impairment loss.

Judgements

4.1 Impairment of exploration and evaluation costs

Exploration and evaluation costs have a carrying value at 31 December 2018 of £35,511,145 (2017: £34,057,215). Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration. The judgement exercised by management relates to whether there is perceived to be an indicator of impairment and that management have concluded that there is not, due to the recovery in the Nickel prices, favourable economics of the Feasibility Study as well as ongoing support from the equity markets to advance the project by way of closing a fund raise at the beginning of 2018.

4.2 Contingent and deferred consideration

Contingent consideration has a carrying value of £3,461,833, at 31 December 2018 (2017: £3,635,955). Deferred consideration has a carrying value of £1,360,792 at 31 December 2018 (2017: Nil). There are two contingent and deferred consideration arrangements in place as at 31 December 2018:

Xstrata – Araguaia

- A contingent consideration arrangement that requires the Group to pay Xstrata Brasil Mineração Ltda consideration after the date of issuance of a Feasibility Study ("FS") comprising the Araguaia project and the Vale dos Sonhos ("VdS") (US$330,000) and Serra do Tapa ("SdT") (US$670,000) project areas ("GAP") (together the "Enlarged Project"), to be satisfied in shares in the Company (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company. The VdS project area was included in the FS published in October 2018 and this deferred consideration was satisfied by the issue of shares in the Company in January 2019, the SdT deposit is not currently included in the Araguaia project development plan as so contingent consideration has been derecognized in respect of this amount; and
- Remaining consideration of US$5,000,000 to be paid in cash, as at the date of first commercial production from any of the resource areas within the Enlarged Project area. Given the recent publication of the Feasibility Study which includes an area purchased from Glencore, this continues to be recognised as contingent consideration as it will become payable should the project enter commercial production.

Vale - Vermelho

- On 19 December 2017 the Company announced that it had reached agreement with Vale S.A ("Vale") to indirectly acquire through wholly owned subsidiaries in Brazil, 100% of the advanced Vermelho nickel-cobalt project in Brazil ("Vermelho").
- The terms of the Acquisition require Horizonte to pay an initial cash payment of US$150,000 with a further US$1,850,000 in cash payable on the second anniversary of the signing of the asset purchase agreement. This is due to be paid in December 2019 and is included in deferred consideration within current liabilities.
- A final payment of US$6,000,000 in cash is payable by Horizonte within 30 days of first commercial sale of product from Vermelho. Management have assessed that the Vermelho project has not yet progressed to a stage where this final payment can be considered probable and have therefore not recognised this contingent consideration within liabilities.

Management have sensitized the fair value calculation to reasonable changes in the unobservable inputs and note that if the discount rate were to increase from 7% to 10% then the FV would decrease by £221,263 (2017: £269,255) to £3,240,600 (2017: £3,366,700).

There has been no change in valuation technique during the period. Please refer to Note 17 for an analysis of the contingent and deferred consideration.

4.3 Current and deferred taxation

The Group is subject to income taxes in numerous jurisdictions. Judgment is required in determining the worldwide provision for such taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax liabilities have been recognised on the fair value gains in exploration assets arising on the acquisitions of Araguaia Niquel Mineração Ltda (formerly Teck Cominco Brasil S.A) and Lontra Empreendimentos e Participações Ltda in 2010. A deferred tax asset in respect of the losses has been recognised on acquisition of Araguaia Niquel Mineração Ltda to the extent that it can be set against the deferred tax liability arising on the fair value gains. In determining whether a deferred tax asset in excess of this amount should be recognized management must make an assessment of the probability that the tax losses will be utilized and a deferred tax asset is only recognised if it is considered probable that the tax losses will be utilized.

Other estimates include but are not limited to future cash flows associated with assets, useful lives for depreciation and fair value of financial instruments.

5 Segmental reporting

The Group operates principally in the UK and Brazil, with operations managed on a project by project basis within each geographical area. Activities in the UK are mainly administrative in nature whilst the activities in Brazil relate to exploration and evaluation work. The reports used by the chief operating decision-maker are based on these geographical segments.

2018	**UK 2018 £**	**Brazil 2018 £**	**Total 2018 £**
Revenue	-	-	-
Administrative expenses	(1,336,093)	-	(1,336,093)
Loss on foreign exchange	186,209	(3)	186,206
Loss from operations per reportable segment	(1,149,884)	(3)	(1,149,887)
Depreciation charges	-	-	-
Additions to non-current assets	-	1,353,439	1,353,439
Reportable segment assets	5,627,373	36,663,073	42,290,446
Reportable segment non-current assets	-	35,739,088	35,739,088
Reportable segment liabilities	**4,998,760**	**443,866**	**5,442,626**

2017	UK 2017 £	Brazil 2017 £	Total 2017 £
Revenue	-	-	-
Administrative expenses	(1,093,132)	—	(1,093,132)
Loss on foreign exchange	(261,218)	(38,616)	(299,834)
Loss from operations per reportable segment	(1,354,350)	(38,616)	(1,392,966)
Depreciation charges	(283)	—	(283)

2017	UK 2017 £	Brazil 2017 £	Total 2017 £
Additions to non-current assets	—	2,319,479	2,319,479
Reportable segment assets	9,359,155	34,508,104	43,867,259
Reportable segment non-current assets	—	34,308,278	34,308,278
Reportable segment liabilities	4,029,066	596,378	4,625,444

Intra-group sales are calculated and recorded in accordance with the underlying intra group service agreements. In 2018 the parent company charged the Brazilian subsidiaries £1,416,698 (2017:£2,243,832) for service provided.

A reconciliation of adjusted loss from operations per reportable segment to loss before tax is provided as follows:

	2018 £	2017 £
Loss from operations per reportable segment	**(1,149,885)**	(1,392,966)
Changes in estimate for contingent and deferred consideration (refer note 17)	**139,392**	621,545
Charge for share options granted	**(837,172)**	(678,652)
Finance income	**89,446**	15,854
Finance costs	**(181,442)**	(232,938)
Loss for the year from continuing operations	**(1,939,663)**	(1,667,156)

6 Expenses by nature

Group	**2018 £**	2017 £
Charge for share options granted *	837,172	678,652
Depreciation (note 11)	—	283
Operating lease charges	131,949	55,421

*please see note 15 for movements in the share options and their related share price.

7 Auditor remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

Group	**2018 £**	2017 £
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**38,000**	35,350
Fees payable to the Company's auditor and its associates for other services:		
– Audit related assurance services	—	11,250
–Tax compliance services	**4,850**	4,850

8 Finance income and costs

Group	**2018 £**	2017 £
Finance income:		
– Interest income on cash and short-term bank deposits	**89,446**	15,854
Finance costs:		
– Contingent and deferred consideration: unwinding of discount	**(181,442)**	(232,938)
Net finance costs	**(91,996)**	(217,084)

9 Income Tax

Group	2018 £	2017 £
Tax charge:		
Current tax charge for the year	—	—
Deferred tax charge for the year	—	—
Tax on loss for the year	—	—

Reconciliation of current tax

Group	2018 £	2017 £
Loss before income tax	**(1,939,663)**	(1,667,156)
Current tax at 19% (2017: 19.25%)	**(368,536)**	(320,928)
Effects of:		
Expenses not deducted for tax purposes	**174,095**	66,411
Utilisation of tax losses brought forward	—	—
Tax losses carried forward for which no deferred income tax asset was recognised	**194,441**	254,517
Total tax	—	—

No tax charge or credit arises on the loss for the year.

The weighted average applicable tax rate of 19.25% used is the effective standard rate of corporation tax in the UK, where all of the current year losses originated. The corporation tax rate in Brazil is 34%. The weighted average applicable tax rate has remained the same at 19.25% as all of the losses arose in the UK.

Deferred income tax
An analysis of deferred tax assets and liabilities is set out below.

Group	2018 £	2017 £
Deferred tax assets	**4,678,544**	5,426,717
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	**(4,907,235)**	(5,679,922)
Deferred tax liabilities (net)	**(228,691)**	(253,205)

The movement on the net deferred tax liabilities is as follows:

Group	2018 £	2017 £
At 1 January	**(253,205)**	(282,450)
Exchange differences	**24,514**	29,245
At 31 December	**(228,691)**	(253,205)

Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax liabilities are recognised in respect of fair value adjustments to the carrying value of intangible assets as a result of the acquisition of such assets.

The Group has tax losses of approximately £21,728,566 (2017: £22,282,173) in Brazil and excess management charges of approximately £140,000 (2017: £835,000) in the UK available to carry forward against future taxable profits. Deferred tax assets have been recognised up to the amount of the deferred tax liability arising on the fair value adjustments. Potential deferred tax assets of £2,274,335 (2017: £2,530,454) have not been recognised.

Tax losses are available indefinitely.

10 Intangible assets

Intangible assets comprise exploration licenses, exploration and evaluation costs and goodwill. Exploration and evaluation costs comprise acquired and internally generated assets.

Group	Goodwill £	Exploration Licenses £	Exploration and evaluation costs £	Total £
Cost				
At 1 January 2017	280,060	5,645,185	26,092,551	32,017,796
Additions	—	—	5,740,740	5,740,740
Exchange rate movements	(28,997)	(479,656)	(2,941,605)	(3,450,258)
Net book amount at 31 December 2017	**251,063**	**5,165,529**	**28,891,686**	**34,308,278**
Additions	—	1,245,111	3,236,829	4,481,940
Exchange rate movements	(24,306)	(280,344)	(2,747,666)	(3,052,316)
Net book amount at 31 December 2018	**226,757**	**6,130,296**	**29,380,849**	**35,737,902**

(a) Exploration and evaluation assets

The exploration and evaluation costs are split between Araguaia and Vermelho as follows:

	Exploration licences £	Exploration and evaluation costs £	**Total** £
Araguia	**4,863,968**	**29,380,849**	34,244,817
Vermelho	**1,266,328**	—	1,266,328
Net book amount at 31 December 2018	**6,130,296**	**29,380,849**	35,511,145

In 2017 all costs related to Araguaia. No indicators of impairment were identified during the year for the Araguaia and Vermelho projects.

In December 2018, a Canadian NI 43-101 compliant Feasibility Study ("FS") was published by the Company regarding the enlarged Araguaia Project which included the Vale De Sohnos deposit acquired from Glencore. The financial results and conclusions of the FS clearly indicate the economic viability of the Araguaia Project with an NPV of $401M using a nickel price of $14,000/t Ni. Nothing material had changed with the economics of the FS between the publication date and the date of this report and the Directors undertook an assessment of impairment through evaluating the results of the FS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Araguaia Project.

Impairment assessments for exploration and evaluation assets are carried out either on a project by project basis or by geographical area.

The adjacent Araguaia/Lontra/Vila Oito and Floresta exploration sites ("the Araguaia Project"), together with the Vale dos Sonhos deposit acquired from Xstrata Brasil Mineração Ltda comprise a resource of a sufficient size and scale to allow the Company to create a significant single nickel project. For this reason, at the current stage of development, these two projects are viewed and assessed for impairment by management as a single cash generating unit.

The mineral concession for the Vale dos Sonhos deposit was acquired from Xstrata Brasil Mineração Ltda, a subsidiary of Glencore Canada Corporation, in November 2015.

The NPV has been determined by reference to the FS undertaken during the year on the Araguaia Project. The key inputs and assumptions in deriving the value in use were, the discount rate of 8%, which is based upon an estimate of the risk adjusted cost of capital for the jurisdiction, capital costs of $443 million, operating costs of $8,194/t Nickel, a Nickel price of US$14,000/t and a life of mine of 28 years.

Sensitivity to changes in assumptions

For the base case NPV_8 of the Araguaia Project of US$401 million using a nickel price of US$14,000/t and US$740 million using US$16,800/t as per the FS to be reduced to the book value of the Araguaia Project as at 31 December 2018, the discount rate applied to the cash flow model would need to be increased from 8% to 17%.

Vermelho

In January 2018, the acquisition of the Vermelho project was completed, which resulted in a deferred consideration of $1,850,000 being recognised and accordingly an amount of £1,245,111 was capitalised to the exploration licences held within intangible assets shown above.

(b) Goodwill

Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda in 2010. The Directors have determined the recoverable amount of goodwill based on the same assumptions used for the assessment of the Lontra exploration project detailed above. As a result of this assessment, the Directors have concluded that no impairment charge is necessary against the carrying value of goodwill.

11 Property, plant and equipment

Group	Vehicles and other field equipment £	Office equipment £	Total £
Cost			
At 1 January 2016	74,647	12,596	87,243
Foreign exchange movements	31,657	1,802	33,459
At 31 December 2016	**106,304**	**14,398**	**120,702**
Foreign exchange movements	**(10,630)**	**(796)**	**(11,426)**
Additions	**2,236**	**—**	**2,236**
At 31 December 2017	**97,910**	**13,602**	**111,512**
Foreign exchange movements	**8,812**	**822**	**9,634**
Additions	—	—	—
At 31 December 2018	**106,722**	**14,424**	**121,146**
Accumulated depreciation			
At 1 January 2017	105,725	14,115	119,840
Charge for the year	358	283	641
Foreign exchange movements	(10,224)	(796)	(11,020)
At 31 December 2017	**95,859**	**13,602**	**109,461**
Charge for the year	**436**	**—**	**436**
Foreign exchange movements	**9,241**	**822**	**10,063**
At 31 December 2018	**105,536**	**14,424**	**119,960**
Net book amount as at 31 December 2018	**1,186**	**—**	**1,186**
Net book amount as at 31 December 2017	2,051	—	2,051
Net book amount as at 1 January 2017	579	283	862

Depreciation charges of £436 (2017: £358) have been capitalised and included within intangible exploration and evaluation asset additions for the year. The remaining depreciation expense for the year ended 31 December 2018 of £nil (2017: £283) has been charged in "administrative expenses" under "Depreciation."

Company	Field equipment £	Office equipment £	Total £
Cost			
At 1 January 2017	4,208	7,403	11,611
Additions	—	—	—
At 31 December 2017 and 2018	**4,208**	**7,403**	**11,611**
Accumulated depreciation			
At 1 January 2017	**4,208**	**7,120**	**11,328**
Charge for the year	—	283	283
At 31 December 2017	4,208	7,403	11,611
Charge for the year	—	—	—
At 31 December 2018	**4,208**	**7,403**	**11,611**
Net book amount as at 31 December 2018	**—**	**—**	**—**
Net book amount as at 31 December 2017	**—**	**—**	**—**
Net book amount as at 31 January 2017	**—**	**283**	**283**

12 Cash and cash equivalents

	Group		Company	
	2018 £	2017 £	**2018 £**	2017 £
Cash at bank and on hand	**422,501**	7,903,861	**194,149**	7,738,863
Short-term deposits	**6,104,614**	1,499,964	**5,293,190**	1,499,964
	6,527,115	9,403,825	**5,487,339**	9,238,827

The Group's cash at bank and short-term deposits are held with institutions with the following credit ratings (Fitch):

	Group		Company	
	2018 £	2017 £	**2018 £**	2017 £
A	**5,551,299**	9,267,418	**5,431,914**	9,188,864
BBB-	**975,816**	136,407	**55,425**	49,963
	6,527,115	9,403,825	**5,487,339**	9,238,827

The cash deposited with the institution with a BBB rating is only held short term and the expected credit loss is not assessed as material.

13 Share capital

Group and Company	**2018 Number**	**2018 £**	2017 Number	2017 £
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	**1,371,934,300**	**13,719,343**	1,171,934,300	11,719,343
Issue of ordinary shares	**60,587,500**	**605,875**	200,000,000	2,000,000
At 31 December	**1,432,521,800**	**14,325,218**	1,371,934,300	13,719,343

Share capital comprises amount subscribed for shares at the nominal value.

2018

On 11 January 2018, the Company issued 60,587,500 new ordinary shares through a private placement in Canada at a price of C$0.06 per share raising gross cash proceeds of CAD$3,635,250 before expenses.

2017

On 22 December 2017, a total of 200,000,000 shares were issued through a private placement at a price of £0.035 per share to raise £7,000,000 before expenses.

14 Share premium

Group and Company	**2018 £**	2017 £
At 1 January	**40,422,258**	35,767,344
Premium arising on issue of ordinary shares	**1,451,723**	5,000,000
Issue costs	**(209,964)**	(345,086)
At 31 December	**41,664,018**	40,422,258

Share premium comprises the amount subscribed for share capital in excess of nominal value.

15 Share-based payments

The Directors have discretion to grant options to the Group employees to subscribe for Ordinary shares up to a maximum of 10% of the Company's issued share capital. One third of options are exercisable at each six months anniversary from the date of grant, such that all options are exercisable 18 months after the date of grant and all lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Should holders cease employment then the options remain valid for a period of 3 months after cessation of employment, following which they will lapse. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

Movements on number of share options and their related exercise price are as follows:

	Number of options 2018 £	Weighted average exercise price 2018 £	Number of options 2017 £	Weighted average exercise price 2017 £
Outstanding at 1 January	**94,650,000**	**0.059**	55,310,000	0.079
Forfeited	-	-	(1,660,000)	0.065
Granted	**39,650,000**	**0.048**	41,000,000	0.03
Outstanding at 31 December	**134,300,000**	**0.056**	94,650,000	0.059
Exercisable at 31 December	**109,026,667**	**0.058**	62,483,333	0.072

The options outstanding at 31 December 2018 had a weighted average remaining contractual life of 7.37 years (2017: 7.56 years).

The fair value of the share options was determined using the Black-Scholes valuation model.

The parameters used are detailed below.

Group and Company	2018 options	2017 options
Date of grant	**30/05/2018**	31/03/2017
Weighted average share price	**4.30 pence**	3.07 pence
Weighted average exercise price	**4.80 pence**	3.20 pence
Weighted average fair value at the measurement date	**2.51 pence**	2.02 pence
Expiry date	**30/5/2028**	31/3/2027
Options granted	**39,650,000**	41,000,000
Volatility	**51%**	68%
Dividend yield	**Nil**	Nil
Option life	**10 years**	10 years
Annual risk free interest rate	**1.22%**	1.19%

The expected volatility is based on historical volatility for the six months prior to the date of grant. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

The range of option exercise prices is as follows:

Range of exercise prices (£)	2018 Weighted average exercise price (£)	2018 Number of shares	2018 Weighted average remaining life expected (years)	2018 Weighted average remaining life contracted (years)	2017 Weighted average exercise price (£)	2017 Number of shares	2017 Weighted average remaining life expected (years)	2017 Weighted average remaining life contracted (years)
0–0.1	**0.04**	**119,150,000**	**8.02**	**8.02**	0.04	79,500,000	8.32	8.32
0.1–0.2	**0.16**	**15.150,000**	**2.55**	**2.55**	0.16	15,150,000	3.55	3.55

16 Other reserves

Group	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2017	10,888,760	(5,373,596)	(1,048,100)	4,467,064
Other comprehensive income	—	—	—	—
Currency translation differences	—	(3,479,050)	—	(3,479,050)
At 31 December 2017	**10,888,760**	**(8,852,646)**	**(1,048,100)**	**998,014**

Group	Merger reserve £	Translation reserve £	Other reserve £	Total £
Other comprehensive income	—	—	—	—
Currency translation differences	—	(3,028,006)	—	(3,208,006)
At 31 December 2018	**10,888,760**	**(11,880,652)**	**(1,048,100)**	**(2,039,991)**

Company	Merger reserve £	Total £
At 1 January 2017 and 31 December 2017	10,888,760	10,888,760
At 1 January 2018 and 31 December 2018	**10,888,760**	**10,888,760**

The merger and other reserve as at 31 December 2018 arose on consolidation as a result of merger accounting for the acquisition of the entire issued share capital of Horizonte Exploration Limited during 2006 and represents the difference between the value of the share capital and premium issued for the acquisition and that of the acquired share capital and premium of Horizonte Exploration Limited.

Currency translation differences relate to the translation of Group entities that have a functional currency different from the presentation currency (refer note 2.8). Movements in the translation reserve are linked to the changes in the value of the Brazilian Real against the Pound Sterling: the intangible assets of the Group are located in Brazil, and their functional currency is the Brazilian Real, which decreased in value against Sterling during the year.

17 Trade and other payables

	Group		Company	
	2018 £	2017 £	**2018 £**	2017 £
Non-current				
Contingent consideration payable to Xstrata Brasil Mineração Ltda (refer note 4)	**3,461,833**	3,635,955	**3,461,833**	3,635,955
Total contingent consideration	**3,461,833**	3,635,955	**3,461,833**	3,635,955
Current				
Deferred consideration payable to former owners of Vermelho.	**1,360,792**	—	**1,360,792**	—
Trade and other payables	**215,175**	271,967	**6,201**	99,486
Amounts due to related parties (refer note 20)	—	—	**413,930**	413,930
Social security and other taxes	**20,000**	15,804	**20,000**	15,804
Accrued expenses	**45,000**	448,513	**45,000**	284,021
	1,640,967	736,284	**1,845,923**	813,241
Total trade and other payables	**5,102,800**	4,372,239	**5,307,756**	4,449,196

Trade and other payables include amounts due of £111,815 (2017: £222,925) in relation to exploration and evaluation activities. Contingent and deferred consideration also relate to exploration and evaluation activities.

Consideration payable to Xstrata Brasil Mineração Ltda

On 28 September 2015 the Company announced that it had reached agreement to indirectly acquire through wholly owned subsidiaries in Brazil the advanced high-grade Glencore Araguaia nickel project ("GAP") in north central Brazil. GAP is located in the vicinity of the Company's Araguaia Project.

Pursuant to a conditional asset purchase agreement ("Asset Purchase Agreement") between, amongst others, the Company and Xstrata Brasil Exploraçâo Mineral Ltda ("Xstrata"), a wholly-owned subsidiary of Glencore Canada Corporation ("Glencore"), the Company has agreed to pay a total consideration of US$8 million to Xstrata, which holds the title to GAP. The consideration is to be paid according the following schedule;

> US$2,000,000 in ordinary shares in the capital of the Company which was settled by way of issuing new shares in the Company as follows: US$660,000 was paid in shares to a subsidiary of Glencore during 2015 and the transfer of the Serra do Tapa and Pau Preto deposit areas (together: "SdT") during 2016 initiated the final completion of the transaction with a further US$1,340,000 shares in the Company issued.

- > US$1,000,000 after the date of issuance of a joint Feasibility Study for the combined Araguaia & GAP project areas, to be satisfied in HZM Shares (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company. Of this $330,000 is due upon the inclusion of Vale De Sohnos in a Feasibility Study and $670,000 for Sierre do Tappa, as at 31 December a Feasibility Study including Vale do Sohnos has published, with Sierra do Tappa not included in the current project plans, therefore management have concluded that it's not currently probable that the consideration for Sierre do Tappa will be paid and it is not included in contingent consideration; and
- > The remaining US$5,000,000 consideration will be paid in cash, as at the date of first commercial production from any of the resource areas within the Enlarged Project area. Following transfer of the concession for the VdS deposit area to a subsidiary of the Company, this has been included in contingent consideration payable.

Consideration payable to Vale S.A.

- > On 19 December 2017 the Company announced that it had reached agreement with Vale S.A ("Vale") to indirectly acquire through wholly owned subsidiaries in Brazil, 100% of the advanced Vermelho nickel-cobalt project in Brazil ("Vermelho").
- > The terms of the Acquisition require Horizonte to pay an initial cash payment of US$150,000 with a further US$1,850,000 in cash payable on the second anniversary of the signing of the asset purchase agreement. This is due to be paid in December 2019 and is included in deferred consideration above.
- > A final payment of US$6,000,000 in cash is payable by Horizonte within 30 days of first commercial sale of product from Vermelho. Management have assessed that the Vermelho project has not yet progressed to a stage where this final payment can be considered probable and have therefore not recognised this contingent consideration within liabilities.

The critical assumptions underlying the treatment of the contingent consideration are set out in note 4.3.

As at 31 December 2018, there was a finance expense of £181,441 (2017: £222,836) recognised in finance costs within the Statement of Comprehensive Income in respect of the contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

	Contingent consideration £	Deferred consideration £	Total £
At 1 January 2017	3,643,042	—	3,643,042
Unwinding of discount	222,836	—	222,836
Change in estimate	(229,923)	—	(229,923)
31 December 2017	3,635,955	—	3,635,955
Initial recognition	—	1,144,621	1,144,621
Unwinding of discount	94,625	86,816	181,441
Change in estimate	(268,747)	129,355	139,391
At 31 December 2018	**3,461,833**	**1,360,792**	**4,822,626**

18 Dividends

No dividend has been declared or paid by the Company during the year ended 31 December 2018 (2017: nil).

19 Earnings per share

(a) Basic

The basic loss per share of 0.136p loss per share (2017 loss per share: 0.142p) is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Group	**2018** £	2017 £
Loss attributable to owners of the parent	**(1,939,662)**	(1,667,156)
Weighted average number of ordinary shares in issue	**1,431,027,862**	1,177,413,752

(b) Diluted

The basic and diluted loss per share for the years ended 31 December 2018 and 31 December 2017 are the same as the effect of the exercise of share options would be anti-dilutive.

In January 2019 the Group issued a further 13,855,487 new ordinary shares at a price of 1.875 pence per share in settlement for deferred contingent consideration due to Glencore, had this occurred prior to the end of the year this would have impacted the basic and diluted earnings per share figures.

Details of share options that could potentially dilute earnings per share in future periods are set out in note 15.

20 Related party transactions

The following transactions took place with subsidiaries in the year:

A fee totalling £399,762 (2017: £350,652) was charged to HM do Brazil Ltda, £961,042 (2017: £980,108) to Araguaia Niquel Mineração Ltda and £55,894 (2017: £55,894) to Typhon Brasil Mineração Ltda by Horizonte Minerals Plc in respect of consultancy services provided and funding costs.

Amounts totalling £1,416,698 (2017: £2,243,832) were lent to HM Brazil (IOM) Ltd, HM do Brasil Ltda, Araguaia Niquel Mineraçao Ltda and Typhon Brasil Mineração Ltda to finance exploration work during 2018, by Horizonte Minerals Plc. Interest is charged at an annual rate of 6% on balances outstanding during the year. The amounts are repayable on demand.

See note 25 for balances with subsidiaries at the year end.

All Group transactions were eliminated on consolidation.

21 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

22 Directors' remuneration (including Key Management)

Group 2018	Short term benefits Aggregate emoluments £	Other emoluments £	Post employment benefits Pension costs £	Total £	Cost to Company Social Security costs £	Non-Cash Share Based Payment Charge £	Grand Total £
Non-Executive Directors							
Alexander Christopher	—	—	—	**—**	—	—	—
David Hall	26,400	32,500[1]	—	**58,900**	2,415	93,323	154,138
William Fisher	26,400	32,500[1]	—	**58,900**	—	80,261	154,138
Allan Walker	26,400	34,500[1]	—	**60,900**	7,242	80,261	148,403
Owen Bavinton	—	—	79,848	**79,848**	—	80,261	160,109
Executive Directors							
Jeremy Martin	216,157	150,000[1]	21,186	**387,343**	49,367	167,415	604,125
Key Management							
Simon Retter	92,362	73,320[2]	23,380	**189,062**	15,713	80,749	285,524
	387,719	322,820	124,414	**834,953**	74,737	582,270	1,506,437

[1] Denotes bonuses paid to senior staff regarding a long term incentive plan upon publication of a bankable feasibility study on the Araguaia FeNi project.
[2] Includes £30,000 bonus paid to Mr Retter regarding the successful completion of the feasibility study on the Araguaia FeNi project.
[3] During the year the group entered into a long term incentive plan with certain key members of management, including the CEO, CFO and certain Non-Executive Directors. Awards are due to be made following the successful completion of milestones deemed to be significant for the long term value creation of the Group including completion of project financing, commencement of commercial production and in the event there is an offer for the asset or for the entire issued share capital of the Group.

Group 2017	Short term benefits Aggregate emoluments £	Other emoluments £	Post employment benefits Pension costs £	Total £	Cost to Company Social Security costs £	Non-Cash Share Based Payment Charge £	Grand Total £
Non-Executive Directors							
Alexander Christopher	—	—	—	**—**	—	—	—
David Hall	31,200	–	—	**31,200**	3,203	90,395	124,798
William Fisher	26,400	–	—	**26,400**	—	75,919	102,319
Allan Walker	26,400	–	—	**26,400**	3,163	75,919	105,482
Owen Bavinton	—	—	29,332	**29,332**	—	75,919	105,251
Executive Directors							
Jeremy Martin	190,400	68,876	—	**259,276**	34,055	119,293	**412,624**
Key Management							
Simon Retter	39,997	54,250	23,999	**118,246**	5,290	43,428	166,964
	314,397	123,126	53,331	**490,854**	45,711	480,873	1,017,438

There are no other long term or termination benefits granted to key management.

The Company does not operate a pension scheme. Pension costs comprise contributions to Defined Contribution pension plans held by the relevant Director or Key Management.

23 Employee benefit expense (including Directors and Key Management)

Group	Group 2018 £	2017 £	Compnay 2018 £	2017 £
Wages and salaries	**1,450,771**	1,144,253	**856,288**	588,498
Social security costs	**244,590**	216,242	**105,337**	63,979
Indemnity for loss of office	**10,472**	49,817	**—**	—
Share options granted to Directors and employees (note 15)	**873,757**	678,652	**873,757**	678,652
	2,579,590	2,088,964	**1,835,382**	1,331,129
Management	**11**	10	**6**	6
Field staff	**16**	15	**—**	—
Average number of employees including Directors and Key Management	**27**	25	**6**	6

Employee benefit expenses includes £685,477 (2017: £1,062,396) of costs capitalised and included within intangible non-current assets.

Share options granted include costs of £501,523 (2017: £437,445) relating to Directors.

24 Investments in subsidiaries

Company	2018 £	2017 £
Shares in Group undertakings	**2,348,042**	2,348,042
	2,348,042	2,348,042

Investments in Group undertakings are stated at cost.

On 23 March 2006 the Company acquired the entire issued share capital of Horizonte Exploration Limited by means of a share for share exchange; the consideration for the acquisition was 21,841,000 ordinary shares of 1 penny each, issued at a premium of 9 pence per share. The difference between the total consideration and the assets acquired has been credited to other reserves.

25 Loans to subsidiaries

Balances with subsidiaries at the year end were:

Company	2018 Assets £	2017 Assets £
HM do Brasil Ltda	**883,909**	1,263,644
HM Brazil (IOM) Ltd	**3,021,173**	5,405,662
Horizonte Nickel (IOM) Ltd	**33,145,934**	31,136,784
Araguaia Niquel Mineração Ltda	**9,747,741**	6,594,120
Horizonte Minerals (IOM) Ltd	**253,004**	253,004
Typhon Brasil Mineração Ltda	**1,625,088**	3,224,179
Trias Brasil Mineração Ltda	**801,402**	1,012,620
Total	**49,478,251**	48,890,013

The loans to Group undertakings are repayable on demand and currently carry no interest, however there is currently no expectation of repayment within the next twelve months and therefore loans are treated as non-current.

On 1 January 2018, the Group:

> Identified the business model used to manage its financial assets and classified its financial instruments into the appropriate IFRS 9 category;

> Applied the “expected credit loss” (“ECL”) model to financial assets classified as measured at amortised cost.

Management's assessment of the impact of IFRS 9 has focused on the change in IFRS 9 around expected credit losses on intercompany balances.

The adoption of IFRS 9 has impacted the Company as a result of the existing incurred loss approach under IAS 39 being replaced by the forward looking expected credit loss model approach of IFRS 9. The expected credit loss model is required to be applied to the intercompany loan receivable, which are classified as held at amortised cost.

The transition method requires a retrospective application for the first time adoption of IFRS 9, however the standard has allowed an exemption to not restate the comparative information with differences being recorded in opening retained earnings. These changes have been processed at the date of initial application (1 January 2018), and presented in the statement of changes in equity for the year ended 31 December 2018.

The increase in credit loss allowance resulted in a reduction to opening reserves, at 1 January 2018, as follows:

Accounts affected	£
Intercompany loan receivable (opening balance as presented under IAS39)	**48,890,013**
Cumulative transition adjustment	**(4,946,743)**
Retained earnings as at 31 December 2017	**(8,960,902)**
Restated Retained Earnings (in accordance with IFRS 9) as at 1 January 2018	**(13,907,644)**

Movements during the year were as follows:

			Expected credit loss		
Group	**2017** £	Amounts advanced during year £	**For balances at 1 January 2018** £	**For balances advanced in 2018** £	2018 £
HM do Brasil Ltda	1,263,644	504,174	(631,822)	(252,087)	**883,909**
HM Brazil (IOM) Ltd	5,405,662	636,683	(2,702,831)	(318,342)	**3,021,172**
Horizonte Nickel (IOM) Ltd	31,136,784	2,009,153	—	—	**33,145,937**
Araguaia Niquel Mineração Ltda	6,594,120	3,153,621	—	—	**9,747,741**
Horizonte Minerals (IOM) Ltd	253,004	—	—	—	**253,004**
Typhon Brasil Mineração Ltda	3,224,179	25,994	(1,612,090)	(12,998)	**1,625,085**
Trias Brasil Mineração Ltda	1,012,620	—	—	(1,012,620)	**—**
Champol (IOM) Ltd	—	240	—	(240)	**—**
Cluny (IOM) Ltd	—	1,144,861	—	(343,458)	**801,403**
Total	48,890,013	7,474,726	(4,946,743)	(1,939,745)	**49,478,251**

The increase in the credit loss allowance is a result of the application of the expected credit loss model. This is a result of the existing incurred loss approach under IAS 39 being replaced by the forward-looking expected credit loss model approach of IFRS 9 which requires the parent to make an allowance for lifetime expected credit losses. No loss allowance had previously been recognised, as no loss event had previously occurred.

The loans to the subsidiary companies, are classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loans. As the subsidiary companies do not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as credit impaired.

As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have assessed the cash flows associated with a number of different recovery scenarios. This included consideration of the:
> exploration project risk,
> positive NPV of the Araguaia project as demonstrated buy the Feasibility Study
> ability to raise the finance to develop the project
> ability to sell the project
> market and technical risks relating to the project
> participation of the subsidiaries in the Araguaia project

The directors have concluded that certain amounts may not be fully recovered giving rise to the expected credit loss adjustment. The provision in respect of Cluny (IOM) Ltd relates to exploration project risk. The provision in respect of the other subsidiaries relates to an assessment of their ability to participate in the Araguaia project.

The credit loss allowance was assessed at the date of initial application of IFRS 9, being 1 January 2018, and again at 31 December 2018. There was no change in the expected credit loss allowance at the year end.

26 Commitments

Operating lease commitments

The Group leases office premises under cancellable and non-cancellable operating lease agreements. The cancellable lease terms are up to one year and are renewable at the end of the lease period at market rate. The leases can be cancelled by payment of up to one month's rental as a cancellation fee. The lease payments charged to profit or loss during the year are disclosed in note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	2018 £	2017 £
Not later than one year	**26,694**	54,444
Between 1 – 5 years	**6,985**	—
Greater than 5 years	—	—
Total	**33,679**	54,444

Capital Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Group	2018 £	2017 £
Intangible assets	—	—

Capital commitments relate to contractual commitments for metallurgical, economic and environmental evaluations by third parties. Once incurred these costs will be capitalised as intangible exploration asset additions.

27 Contingent Liabilities

Other Contingencies

The Group has received a claim from various trade union organisations in Brazil regarding outstanding membership fees due in relation to various subsidiaries within the Group. Some of these claims relate to periods prior to the acquisition of the relevant subsidiary and would be covered by warranties granted by the previous owners at the date of sale. The Directors are confident that no amounts are due in relation to these proposed membership fees and that the claims will be unsuccessful. No subsequent actions, claims or communications from the various trade union organisations have been received subsequent to the requests for payment. As a result, no provision has been made in the Financial Statements for the year ended 31 December 2018 for amounts claimed. Should the claim be successful, the maximum amount payable in relation to fees not subject to the warranty agreement would be approximately £64,000.

In 2013 the Group received an infraction notice from the Brazilian Environmental Agency's ("IBAMA") district office in Conceição do Araguaia in connection with carrying out drilling activities in 2011 without the relevant permits. Drilling equipment was furthermore impounded. The Group strongly believes that it operated with all necessary permits and has initiated legal proceedings to overturn the infraction notice. The Group has secured cancellation of the injunction and has appealed the associated fine and infraction notices of approximately £68,000 which has not been recognised in these financial statements.

In December 2014, the Group received a writ from the State Attorney in Conceiçao do Araguaia regarding alleged environmental damages caused by drilling activities in 2011. To ensure proper environmental stewardship, the Group conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved in accordance with local environmental legislation. After drilling has occurred, drill sites and access routes are rehabilitated to equal or better conditions and evidence is retained to demonstrate that such rehabilitation work has been completed. In January 2015 the Group filed a robust defence against the writ. A court hearing was held in May 2015 at which documents were requested to confirm that valid environmental authorisations were in place. These were subsequently submitted as requested. No substantive financial claim continues to be made against the Group under the terms of the writ. The Group continues to believe that the writ is flawed and is working towards having it withdrawn in due course. As a result, no provision has been made in the Financial Statements for the year ended 31 December 2018.

28 Financial Instruments

Financial Assets

Group	Amortised cost 2018 £	Amortised cost 2017 £
Cash and cash equivalents	**6,527,115**	9,403,825
Trade and other receivables	**24,243**	153,105
Total	**6,551,358**	9,556,930

Company	Amortised cost 2018 £	Amortised cost 2017 £
Cash and cash equivalents	**5,487,339**	9,238,827
Trade and other receivables	**19,388**	41,773
Total	**5,506,727**	9,280,600

Financial Liabilities

Group	Amortised cost 2018 £	Amortised cost 2017 £
Trade and other payables	**260,175**	720,480
Deferred Consideration	**1,360,792**	—
Total	**1,620,967**	720,480

Company	Amortised cost 2018 £	Amortised cost 2017 £
Trade and other payables	**465,131**	797,437
Deferred Consideration	**1,360,792**	—
Total	**1,825,923**	797,437

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and, contingent and deferred consideration which are discounted.

29 Events after the reporting date

On 22 January 2019, the Company issued 13,855,487 new ordinary shares at a price of 1.875 pence per share as settlement of $330,000 due to Xstrata Brasil Exploracao Mineral Ltda a subsidiary of Glencore plc as per the asset purchase agreement signed in 2015. The contingent consideration became due following the publication of a definitive Feasibility Study on the Araguaia project which included the Vale De Sonhos deposit originally acquired.

Statutory Information

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Jeremy John Martin (Chief Executive Officer)
William James Fisher (Non-Executive Director)
Allan Michael Walker (Non-Executive Director)
Alex Christopher (Non-Executive Director)
Owen Alexander Bavinton (Non-Executive Director)

Company Secretary
Simon James Retter

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